

THIS ARRANGEMENT AGREEMENT made as of the 18th day of January, 2008.

BETWEEN:

PROFOUND ENERGY INC., a body corporate amalgamated under the *Business Corporations Act* (Alberta) (hereinafter called "**Profound**")

- and -

DEFIANT RESOURCES CORPORATION, a body corporate incorporated under the *Business Corporations Act* (Alberta) (hereinafter called "**Defiant**").

WHEREAS Profound wishes to acquire all of the outstanding Common Shares of Defiant at one time in a single transaction;

AND WHEREAS Profound and Defiant wish to propose an arrangement involving Profound, Defiant and the Defiant Shareholders (as defined herein);

AND WHEREAS the parties hereto intend to carry out the transactions contemplated herein by way of an arrangement under the provisions of the *Business Corporations Act* (Alberta);

AND WHEREAS the parties hereto have entered into this agreement to provide for the matters referred to in the foregoing recitals and for other matters relating to such arrangement;

NOW THEREFORE this agreement witnesseth that in consideration of the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as set forth below.

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires, the following defined terms shall have the following meanings:

- (a) "**ABCA**" means the *Business Corporations Act* (Alberta), as amended from time to time, including the regulations promulgated thereunder;
- (b) "**Acquisition Proposal**" has the meaning ascribed thereto in Section 6.2 hereof;
- (c) "**Agreement**" means this arrangement agreement, including the recitals and all exhibits to this arrangement agreement, as may be amended or supplemented and/or restated from time to time;
- (d) "**Applicable Laws**" means applicable corporate, securities and other laws, regulations and rules and all policies and rules of applicable stock exchanges;
- (e) "**Arrangement**" means the arrangement under the provisions of section 193 of the ABCA, on the terms and conditions set forth in the Plan of Arrangement;
- (f) "**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required by the ABCA to be filed with the Registrar after the Final Order is made to give effect to the Arrangement;
- (g) "**Business Day**" means, with respect to any action to be taken, any day, other than Saturday, Sunday or a statutory holiday in the place where such action is to be taken;

- (h) "**Confidentiality Agreement**" and "**Confidentiality Agreements**" means, as the context requires, the confidentiality agreement dated January 11, 2008, pursuant to which Profound was provided with access to the confidential information of Defiant, and a reciprocal form of confidentiality agreement dated January 15, 2008 giving Defiant access to the confidential information of Profound;
- (i) "**Court**" means the Court of Queen's Bench of Alberta;
- (j) "**Defiant**" means Defiant Resources Corporation, a body corporate incorporated under the ABCA;
- (k) "**Defiant Board**" means the board of directors of Defiant;
- (l) "**Defiant Counsel**" means Osler, Hoskin & Harcourt LLP;
- (m) "**Defiant's Debt**" means Defiant's total indebtedness, including long term debt, bank debt and Working Capital;
- (n) "**Defiant Options**" means the outstanding options to purchase Defiant Shares issued to directors, officers, employees and consultants of Defiant;
- (o) "**Defiant Public Record**" means all information filed by or to be filed by or on behalf of Defiant with the securities commission in each of the provinces of Canada in which Defiant is a "reporting issuer" or has equivalent status prior to the earlier of the Effective Date or the termination of this Agreement, including but without limitation, any annual information form or prospectus and any other information filed with any securities commission in compliance, or intended compliance, with any applicable securities laws, but excluding any information in respect of Profound furnished to Defiant by Profound for inclusion or incorporation by reference in the Information Circular;
- (p) "**Defiant Shareholders**" means the registered holders of Defiant Shares;
- (q) "**Defiant Shares**" means common shares of Defiant as constituted on the date hereof;
- (r) "**Defiant Termination Fee**" has the meaning ascribed thereto in Section 6.3 hereof;
- (s) "**Effective Date**" means the date shown on the registration statement issued by the Registrar under the ABCA giving effect to the Arrangement;
- (t) "**Effective Time**" means 12:01 a.m. (Mountain Daylight Time) on the Effective Date;
- (u) "**Encumbrance**" includes, without limitation, any mortgage, pledge, assignment, charge, lien, security interest, claim, trust, royalty or carried, participation, net profits or other third party interest and any agreement, option, right of first refusal, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;
- (v) "**Final Order**" means the final order of the Court approving the Arrangement pursuant to subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (w) "**Information Circular**" means the information circular of Defiant relating to the Meeting;
- (x) "**Interim Order**" means the order of the Court pursuant to subsection 193(4) of the ABCA ordering the Meeting and setting out certain declarations and directions in respect of the Arrangement and the holding of the Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (y) "**Meeting**" means the special meeting of the holders of Defiant Shares, including any adjournment thereof, that is to be convened as provided by the Interim Order to consider, and if deemed advisable, approve the Arrangement;
- (z) "**Person**" means any individual, partnership, limited partnership, joint venture, trust, body corporate, unincorporated organization, committee, trade creditors' committee, government or agency, or instrumentality thereof, or any other entity howsoever designated or constituted;

- (aa) "**Plan of Arrangement**" means the plan of arrangement which is annexed hereto as **Exhibit 1** and any amendment or variation thereto;
- (bb) "**Profound**" means Profound Energy Inc., a body corporate amalgamated under the ABCA;
- (cc) "**Profound Board**" means the board of directors of Profound;
- (dd) "**Profound Counsel**" means Burnet, Duckworth & Palmer LLP;
- (ee) "**Profound Debt**" means Profound's total indebtedness, including long term debt, bank debt and Working Capital;
- (ff) "**Profound Information**" means all information required by Applicable Laws to be included in the Information Circular relating to Profound and the Profound Shares, including, without limitation, information in respect of Profound's business and affairs and financial position as required by Applicable Laws;
- (gg) "**Profound Public Record**" means all information filed by or to be filed by or on behalf of Profound with the securities commission in each of the provinces of Canada in which Profound is a "reporting issuer" or has equivalent status, including but without limitation, any annual information form or prospectus and any other information filed with any securities commission in compliance, or intended compliance, with any applicable securities laws;
- (hh) "**Profound Shares**" means common shares in the capital of Profound;
- (ii) "**Profound Termination Fee**" has the meaning ascribed thereto in Section 6.1 hereof;
- (jj) "**Registrar**" means the Registrar of Corporations appointed pursuant to section 263 of the ABCA;
- (kk) "**Subsidiary**" means a subsidiary as defined in the ABCA;
- (ll) "**Superior Proposal**" has the meaning ascribed thereto in Section 6.2 hereof;
- (mm) "**Swap**" 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);
- (nn) "**TSX**" means The Toronto Stock Exchange; and
- (oo) "**Working Capital**" means cash on hand plus current accounts receivable, prepaid expenses and deposits and other current assets, less accounts payable and any revenue and expense accruals estimated to December 31, 2007.

1.2 Interpretation Not Affected by Headings

The division of this Agreement into articles, sections, subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

1.3 Article References

Unless the contrary intention appears, references in this Agreement to an article, section, subsection, paragraph, exhibit or schedule by number or letter or both refer to the article, section, subsection, paragraph, exhibit or schedule, respectively, bearing that designation in this Agreement.

1.4 Number

In this Agreement, unless the contrary intention appears, words importing the singular include the plural and vice versa, and words importing gender shall include all genders.

1.5 Date for Any Action

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

1.6 Currency

Unless otherwise stated, all references in this Agreement to sums of money are expressed in lawful money of Canada.

1.7 Exhibit

Exhibit 1 annexed to this Agreement, being the Plan of Arrangement, is incorporated by reference into this Agreement and forms part hereof.

1.8 Statutes

References in this Agreement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder.

1.9 Disclosure in Writing

References to disclosure in writing herein shall, in the case of Defiant, include disclosures in writing to Defiant or its representatives, or in the case of Profound, include disclosures in writing to Profound or its representatives.

**ARTICLE 2
THE ARRANGEMENT**

2.1 Arrangement

As soon as reasonably practicable, Defiant shall apply to the Court pursuant to section 193 of the ABCA for an order approving the Arrangement and in connection with such application shall:

- (a) forthwith file, proceed with and diligently prosecute an application for an Interim Order under section 193(4) of the ABCA providing for, among other things, the calling and holding of the Meeting for the purpose of considering and, if deemed advisable, approving the Arrangement;
- (b) subject to obtaining such approval of the Defiant Shareholders at the Meeting as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, take the steps necessary to submit the Arrangement to the Court and apply for the Final Order; and
- (c) subject to obtaining the Final Order and the satisfaction or waiver of the other conditions herein contained in favour of each party, deliver to the Registrar Articles of Arrangement and such other documents as may be required to give effect to the Arrangement.

2.2 Interim Order

The application referred to in Section 2.1(a) shall request that the Interim Order provide:

- (a) for the class of Persons to whom notice is to be provided in respect of the Arrangement and the Meeting and for the manner in which such notice is to be provided;
- (b) that the requisite shareholder approval for the Arrangement shall be: (i) 66 2/3% of the votes cast by Defiant Shareholders present in person or by proxy at the Meeting and (ii) a majority of the votes cast by the Defiant Shareholders present in person or by proxy at the Meeting, after excluding the votes cast by those persons whose votes must be excluded pursuant to Ontario Securities Commission Rule 61-501 or similar rules in Québec (Regulation Q-27); and
- (c) that, in all other respects, the terms, restrictions and conditions of the by-laws and articles of Defiant, including quorum requirements and all other matters, shall apply in respect of the Meeting.

2.3 Information Circular

As soon as reasonably practicable after the execution and delivery of this Agreement, Defiant, with the cooperation of Profound, shall, subject to Section 4.2(a), prepare the Information Circular together with any other documents required under the ABCA or Applicable Laws with respect to the Arrangement and, subject to delivery by Profound in a timely manner of the Profound Information to Defiant for inclusion in the Information Circular, cause the same to be sent to each Defiant Shareholder and filed as required under the ABCA and Applicable Laws so that the Meeting may be held by no later than March 31, 2008.

2.4 Effective Date

The Arrangement shall become effective at the Effective Time.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of Defiant

Defiant represents and warrants to Profound, and acknowledges that Profound is relying upon such representations and warranties in connection with the matters contemplated by this Agreement, that:

- (a) Defiant has been duly incorporated and is valid and subsisting in good standing under the laws of Alberta and has the requisite corporate power and authority to carry on its business and to own, lease and operate its properties and assets;
- (b) Defiant is duly registered to carry on business and is in good standing in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities make such registration necessary;
- (c) Defiant does not have any Subsidiaries and does not hold any shares or other interest in any corporations, partnerships or trusts;
- (d) Defiant has the requisite corporate authority to enter into this Agreement and to carry out its obligations hereunder; the execution and delivery of this Agreement and the consummation by Defiant of the transactions contemplated hereby have been duly authorized by the Defiant Board and no other corporate proceedings on the part of Defiant are or will be necessary to authorize this Agreement and the transactions contemplated hereby, other than the approval of the Defiant Board of the Information Circular, approval of the Defiant Shareholders of the Arrangement as contemplated by the Interim Order and such other matters as are necessary under the ABCA and the Interim Order and the Final Order to consummate the Arrangement; this Agreement has been duly executed and delivered by Defiant and constitutes a legal, valid and binding obligation of Defiant enforceable against Defiant in accordance with its terms, subject to bankruptcy,

insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to general principles of equity;

- (e) neither the execution and delivery of this Agreement by Defiant, the consummation by Defiant of the transactions contemplated hereby nor compliance by Defiant with any of the provisions hereof will: (i) violate, conflict with, or result in breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Defiant under any of the terms, conditions or provisions of (A) the articles or bylaws of Defiant, or (B) any material note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which Defiant is a party or to which any of them, or any of their properties or assets, may be subject or by which Defiant is bound; or (ii) violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to Defiant (except, in the case of each of clauses (i) and (ii) above, for such violations, conflicts, breaches, defaults, terminations, accelerations, creations which, or any consents, approvals or notices which if not given or received, would not have any material adverse effect on the business, operations or financial condition of Defiant or on the ability of Defiant to consummate the transactions contemplated hereby);
- (f) other than in connection with or in compliance with the provisions of Applicable Laws, (i) there is no legal impediment to Defiant's consummation of the transactions contemplated by this Agreement and (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by Defiant in connection with the making or the consummation of the Arrangement other than as contemplated in this Agreement or except for such filings or registrations which, if not made, or for such authorizations, consents or approvals, which, if not received, would not have any material adverse effect on the ability of Defiant to consummate the transactions contemplated hereby;
- (g) no securities commission or similar regulatory authority has issued any order preventing or suspending trading of any securities of Defiant and Defiant is not in default of any material requirement of Applicable Laws;
- (h) the authorized capital of Defiant consists of an unlimited number of Defiant Shares, of which at the date hereof, only 22,611,986 Defiant Shares are issued and outstanding, all of which are issued as fully paid and non-assessable;
- (i) no person has any agreement, option, warrant, right or privilege capable of becoming an agreement for the purchase, subscription or issuance of any unissued Defiant Shares or other securities of Defiant other than in respect of options to acquire 1,649,500 Defiant Shares at exercise prices ranging from \$2.75 to \$3.71 per Defiant Share issued to directors, officers, employees and consultants of Defiant pursuant to Defiant's share option plan;
- (j) since September 30, 2007, there has been no material adverse change (or any condition, event or development involving a prospective change that would be materially adverse to Defiant, taken as a whole) in the business, affairs, operations, assets, capitalization, financial condition, prospect, licenses, permits, rights, privileges or liabilities, whether contractual or otherwise, of Defiant (other than a material adverse change resulting from: (i) conditions affecting the oil and gas industry generally in jurisdictions in which Defiant carries on business, including changes in commodity prices or taxes; (ii) conditions affecting the oil and gas industry generally in those geographic areas where Profound and Defiant both have operations and properties; (iii) general economic, financial, currency exchange, securities or commodities market conditions; or (iv) any matter permitted by this Agreement, or consented to in writing by Profound, including, without limitation, the payments pursuant to Sections 3.1(u), (v) and (w));
- (k) except as disclosed to Profound in writing, the data and information provided to Defiant's independent engineers in respect of Defiant's assets and reserves, and the data and information in respect of Defiant's liabilities, business and operations provided by Defiant or its advisors to Profound or its advisors in writing were accurate and correct in all material respects (taken as a whole) as at the respective dates thereof and, in respect of any information provided or requested, did not omit any material data or information necessary to make the data or information provided not misleading in any material respect (taken as a whole) as at the respective dates thereof;
- (l) except as disclosed to Profound in writing, or as disclosed in the Defiant Public Record, there are no outstanding, or to the knowledge of Defiant, threatened claims, suits, actions or proceedings against Defiant which, if determined adversely

to Defiant, would have a material adverse effect on the assets, liabilities, business or operations of Defiant or on the ability of Defiant to consummate the transactions contemplated hereby;

- (m) the financial statements of Defiant for the year ended December 31, 2006 and the nine months ended September 30, 2007 fairly present, in accordance with generally accepted accounting principles in Canada, consistently applied, the financial position and condition of Defiant at the dates thereof and the results of the operations of Defiant for the periods then ended and reflect all material assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of Defiant as at the dates thereof which are required to be disclosed therein in accordance with generally accepted accounting principles in Canada, consistently applied;
- (n) Defiant has conducted and is conducting its business in accordance with good oilfield practices and in compliance in all material respects with all Applicable Laws (in particular, all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to Defiant of each jurisdiction in which it carries on business) and holds all licenses, registrations and qualifications material to its business and assets in all jurisdictions in which it carries on business (except where the failure to do so or to be in such compliance would not have a material adverse effect on the business of Defiant), which are necessary or desirable to carry on the business of Defiant, as now conducted, and none of such licenses, registrations or qualifications contains any term, provision, condition or limitation not incurred or created in the ordinary course of business and which will have a material adverse effect, financial or otherwise, on the business of Defiant;
- (o) to the knowledge of Defiant, any and all operations by third parties, on or in respect of the assets and properties of Defiant, have been conducted in accordance with good oil and gas industry practices and in material compliance with applicable laws, rules, regulations, orders and directions of government and other competent authorities;
- (p) all *ad valorem*, property, production, severance and similar taxes and assessments, royalties or lease rentals based on or measured by the ownership of property or the production of petroleum substances or the receipts of proceeds therefrom payable by Defiant in respect of any properties or assets up to the date hereof and to the Effective Time have been or will be properly and fully paid and discharged;
- (q) no officer, director, employee or consultant of Defiant, any associate or affiliate of any such person or any party not at arm's length to Defiant owns, has or is entitled to any royalty, net profits interest, carried interest or other Encumbrances of any nature whatsoever which are based on production from Defiant's properties or assets or any revenue or rights attributed thereto;
- (r) except to the extent that any violation or other matter referred to in this paragraph does not have a material adverse effect, financial or otherwise, on the business, assets, properties, condition (financial or otherwise), results of operations or prospects of Defiant:
 - (i) Defiant is not in violation of any applicable federal, provincial, municipal or local laws, regulations, orders, government decrees or ordinances with respect to environmental, health or safety matters (collectively, "**Environmental Laws**");
 - (ii) Defiant 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;
 - (iii) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes which have not been rectified on any of the real property owned or leased by Defiant or under any of their control;
 - (iv) there have been no releases, deposits or discharges, in violation of Environmental Laws, of any 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 Defiant;

- (v) no orders, directions or notices from any regulatory authority have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of Defiant and which require any material work, repairs, construction or capital expenditures;
- (vi) Defiant has not failed to report to the proper federal, provincial, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign, ("**Governmental Authority**") the occurrence of any event which is required to be so reported by any Environmental Law; and
- (vii) Defiant holds all licenses, permits and approvals required under Environmental Laws in connection with the operation of its business and the ownership and use of its assets, all such licenses, 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 Defiant, (B) notifications relating to reclamation obligations under the *Environmental Protection and Enhancement Act* (Alberta), and (C) such notifications as have been disclosed in writing to Profound, Defiant has not received any notification pursuant to any Environmental Laws that any work, repairs, construction or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any license, permit or approval issued pursuant thereto, or that any license, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;
- (s) it has disclosed to Profound the details, in all material respects, and has provided copies, of all severance or change of control arrangements with directors, officers or employees of Defiant, including the amounts referred to in this Agreement;
- (t) other than FirstEnergy Capital Corp. ("**FirstEnergy**"), Defiant has not retained any financial advisor, broker, agent or finder, or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement or the Arrangement, any transaction contemplated hereby or any transaction presently ongoing or contemplated;
- (u) the fees payable to FirstEnergy in connection with the transactions contemplated by this Agreement and the Arrangement will not exceed the amount set forth in the financial advisory services contract between FirstEnergy and Defiant dated July 11, 2007;
- (v) the aggregate amount payable by Defiant under any obligations or liabilities of Defiant to pay any amount to its officers, directors or employees on the change of control of Defiant, as severance costs or as directors fees will not exceed \$1,000,000;
- (w) Defiant's transaction costs related to the Arrangement (meaning all financial advisory fees, legal fees (excluding GST and reasonable disbursements), accounting fees and printing and mailing expenses but excluding amounts identified in Section 3.1(v)) will not exceed \$1,000,000;
- (x) since January 1, 2008, Defiant's net corporate production (excluding royalty volumes), defined as working interest corporate sales production, has averaged not less than 1,300 BOE per day;
- (y) Defiant Board has unanimously endorsed the Arrangement and unanimously approved this Agreement, has unanimously determined that the Arrangement is fair, from a financial point of view, to Defiant Shareholders and has unanimously resolved to recommend acceptance of the Arrangement by Defiant Shareholders;
- (z) Defiant is a "reporting issuer" or has equivalent status in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec and New Brunswick within the meaning of the Applicable Laws in such provinces and is not in default of any material requirement of Applicable Laws in any material respect;
- (aa) the Defiant Shares are listed on the TSX and Defiant is not in material default of any of the rules, policies or bylaws of such exchange;

- (bb) Defiant has not waived the applicability of any "standstill" or other provisions of any confidentiality agreements entered into by Defiant which have not automatically expired by their terms;
- (cc) although it does not warrant title:
 - (i) Defiant has no reason to believe that Defiant does not have the right, subject to Applicable Laws and to applicable title documents, to produce and sell its petroleum, natural gas and related hydrocarbons (for the purposes of this clause, the foregoing are referred to as the "**Interests**") and represents and warrants that the Interests are free and clear of adverse claims created by, through or under Defiant, except those arising in the ordinary course of business, and, to its knowledge, Defiant holds the Interests under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements; and
 - (ii) Defiant is not aware of any defects, failures or impairments in the title of Defiant to its oil and gas properties, whether or not an action, suit, proceeding or inquiry is pending or threatened and whether or not discovered by any third party, which in aggregate could have a material adverse effect on: (a) the quantity and pre-tax present worth values of the oil and gas reserves of Defiant; (b) the current production of Defiant; or (c) the current cash flow of Defiant;
- (dd) the information and statements set forth in the Defiant Public Record were true, correct and complete in all material respects and did not contain any misrepresentations (as defined in the *Securities Act* (Alberta)), as of the date of such information or statement, and Defiant has not filed any confidential material change reports which are still maintained on a confidential basis;
- (ee) the minute books, books of account and other records of Defiant have (whether of a financial or accounting nature or otherwise) been maintained in accordance with, in all material respects, all applicable statutory requirements and prudent business practice and are complete and accurate in all material respects;
- (ff) Defiant has duly and timely filed, in proper form, returns in respect of taxes under the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada), the *Alberta Corporate Tax Act* and the tax legislation of any other province of Canada or any foreign country having jurisdiction over its affairs for all prior periods in respect of which such filings have heretofore been required, and all taxes shown thereon and all taxes now owing have been paid or accrued on its books and there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any federal, provincial or other tax return for any period, and all payments to any non-resident of Canada have been made in accordance with all applicable legislation in respect of withholding tax, is not aware of any contingent tax liabilities or any grounds for reassessment, there are no material assessments or reassessments pursuant to which there are amounts owing or discussions in respect thereof with any taxing authority and it has withheld from each payment made to any of its directors, officers and employees and former directors, officers and employees the amount of all taxes (including, without limitation, income tax) and other deductions required to be withheld therefrom and has paid the same to the proper tax or other authority within the time required under any applicable tax legislation and has remitted to the proper tax authority when required by law to do so, all amounts collected by it on account of GST and Defiant is a "taxable Canadian corporation" for the purpose of the *Income Tax Act* (Canada);
- (gg) all filings made by it 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 or previously accrued on its accounts to be recovered or disallowed;
- (hh) as of the date of this Agreement, Defiant does not have any requirements to incur or renounce to investors any Canadian exploration expense or Canadian development expense, each as defined under the *Income Tax Act* (Canada), pursuant to any flow-through share agreement to which Defiant is a party;
- (ii) Defiant's current undeveloped land ownership is not less than 85,000 net acres;

- (jj) all information relating to Defiant in the Information Circular shall be true and complete in all material respects and shall not contain any misrepresentation (as defined in the *Securities Act* (Alberta));
- (kk) Defiant has not implemented a shareholder rights protection plan or similar arrangement;
- (ll) Defiant is not a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of Defiant and applicable laws or indemnification provisions in underwriting, agency, advisory, depository or transfer agency agreements) or any other like commitment of the obligations, liabilities (contingent or otherwise) of indebtedness of any other person;
- (mm) Defiant does not have any loans or other indebtedness outstanding which have been made to or from any of its shareholders, officers, directors or employees or any other person not dealing at arm's length with Defiant that are currently outstanding;
- (nn) Defiant has no Swaps outstanding and no Swaps will be entered into prior to the Effective Date, without the prior written consent of Profound;
- (oo) neither Defiant nor, to its knowledge, any of its shareholders, is a party to any unanimous shareholders agreement, pooling agreement, voting trust or other similar type of arrangements in respect of outstanding securities of Defiant; and
- (pp) there are no material non-competition, exclusivity or other similar agreements, commitments or understandings in place to which Defiant is a party or by which it is otherwise bound that would now or hereafter in any way limit the business or operations of Defiant in a particular manner or to a particular locality or geographic region or for a limited period of time and the execution, delivery and performance of this agreement does not and will not result in the restriction of Defiant from engaging in this business or from competing with any person or in any geographic area.

3.2 Representations and Warranties of Profound

Profound represents and warrants to Defiant, and acknowledges that Defiant is relying upon such representations and warranties in connection with the matters contemplated by this Agreement, that:

- (a) Profound has been duly amalgamated and is valid and subsisting in good standing under the laws of Alberta and has all requisite authority and power to carry on its business and to own, lease and operate its properties and assets;
- (b) Profound is duly registered to carry on business and is in good standing in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities makes such registration necessary;
- (c) Profound does not have any Subsidiaries and does not hold any shares or other interests in any other corporations, partnerships or trusts;
- (d) Profound has the requisite corporate authority to enter into this Agreement and to carry out its obligations hereunder; the execution and delivery of this Agreement and the consummation by Profound of the transactions contemplated hereby have been duly authorized by the Profound Board and no other corporate proceedings on the part of Profound are or will be necessary to authorize this Agreement and the transactions contemplated hereby; this Agreement has been duly executed and delivered by Profound and constitutes a legal, valid and binding obligation of Profound enforceable against Profound in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to general principles of equity;
- (e) neither the execution and delivery of this Agreement by Profound, the consummation by Profound of the transactions contemplated hereby nor compliance by Profound with any of the provisions hereof will: (i) violate, conflict with, or result in breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Profound under any of the terms, conditions or provisions of (A) the articles or by-laws of Profound, or (B) any material note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation

to which Profound is a party or to which it, or any of its properties or assets, may be subject or by which Profound is bound; or (ii) violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to Profound (except, in the case of each of clauses (i) and (ii) above, for such violations, conflicts, breaches, defaults, terminations, accelerations, creations which, or any consents, approvals or notices which if not given or received, would not have any material adverse effect on the business, operations or financial condition of Profound or on the ability of Profound to consummate the transactions contemplated hereby);

- (f) other than in connection with or in compliance with the provisions of Applicable Laws, (i) there is no legal impediment to Profound's consummation of the transactions contemplated by this Agreement and (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by Profound in connection with the making or the consummation of the Arrangement other than as contemplated in this Agreement or except for such filings or registrations which, if not made, or for such authorizations, consents or approvals, which, if not received, would not have any material adverse effect on the ability of Profound to consummate the transactions contemplated hereby;
- (g) no securities commission or similar regulatory authority has issued any order preventing or suspending trading of any securities of Profound and Profound is not in default of any material requirement of Applicable Laws;
- (h) the authorized capital of Profound consists of an unlimited number of Profound Shares and an unlimited number of preferred shares, issuable in series, of which as at the date hereof, only 24,902,616 Profound Shares are issued and outstanding, all of which are issued as fully paid and non-assessable;
- (i) no person has any agreement, option, warrant, right or privilege capable of becoming an agreement for the purchase, subscription or issuance of any unissued Profound Shares or other securities of Profound, other than in respect of (i) options to acquire 2,355,000 Profound Shares at exercise prices ranging from \$2.91 to \$3.15 per Profound Share issued to directors, officers, employees and consultants to Profound pursuant to Profound's stock option plan; and (ii) 2,886,399 Profound Shares issuable at exercise prices ranging from \$6.20 to \$10.33 per Profound Share pursuant to the exercise of performance warrants;
- (j) since September 30, 2007, there has been no material adverse change (or any condition, event or development involving a prospective change that would be materially adverse to Profound, taken as a whole) in the business, affairs, operations, assets, capitalization, financial condition, prospect, licenses, permits, rights, privileges or liabilities, whether contractual or otherwise, of Profound (other than a material adverse change resulting from: (i) conditions affecting the oil and gas industry generally in jurisdictions in which Profound carries on business, including changes in commodity prices or taxes; (ii) conditions affecting the oil and gas industry generally in those geographic areas where Profound and Defiant both have operations and properties; (iii) general economic, financial, currency exchange, securities or commodities market conditions; or (iv) any matter permitted by this Agreement or consented to by Defiant);
- (k) except as disclosed to Defiant in writing, the data and information provided to Profound's independent engineers in respect of Profound's assets and reserves, and the data and information in respect of Profound's liabilities, business and operations provided by Profound or its advisors to Defiant or its advisors in writing were accurate and correct in all material respects (taken as a whole) as at the respective dates thereof and, in respect of any information provided or requested, did not omit any material data or information necessary to make the data or information provided not misleading in any material respect (taken as a whole) as at the respective dates thereof;
- (l) except as disclosed to Defiant in writing, or as disclosed in the Profound Public Record, there are no outstanding, or to the knowledge of Profound, threatened claims, suits, actions or proceedings against Profound which, if determined adversely to Profound, would have a material adverse effect on the assets, liabilities, business or operations of Profound or on the ability of Profound to consummate the transactions contemplated hereby;
- (m) to the knowledge of Profound after due inquiry, the financial statements of Profound for the year ended December 31, 2006 and the nine months ended September 30, 2007 fairly present, in accordance with generally accepted accounting principles in Canada, consistently applied, the financial position and condition of Profound at the dates thereof and the results of the operations of Profound for the periods then ended and reflect all material assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of Profound as at the dates thereof which are required to be disclosed therein in accordance with generally accepted accounting principles in Canada, consistently applied;

- (n) Profound has conducted and is conducting its business in accordance with good oilfield practices and in compliance in all material respects with all Applicable Laws (in particular, all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to Profound of each jurisdiction in which it carries on business) and holds all licenses, registrations and qualifications material to its business and assets in all jurisdictions in which it carries on business (except where the failure to do so or to be in such compliance would not have a material adverse effect on the business of Profound), which are necessary or desirable to carry on the business of Profound, as now conducted, and none of such licenses, registrations or qualifications contains any term, provision, condition or limitation not incurred or created in the ordinary course of business and which will have a material adverse effect, financial or otherwise, on the business of Profound;
- (o) except to the extent that any violation or other matter referred to in this paragraph does not have a material adverse effect, financial or otherwise, on the business, assets, properties, condition (financial or otherwise), results of operations or prospects of Profound:
- (i) Profound is not in violation of any applicable Environmental Laws;
 - (ii) Profound 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;
 - (iii) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes which have not been rectified on any of the real property owned or leased by Profound or under its control;
 - (iv) there have been no releases, deposits or discharges, in violation of Environmental Laws, of any 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 Profound;
 - (v) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of Profound;
 - (vi) Profound has not failed to report to the proper Governmental Authority the occurrence of any event which is required to be so reported by any Environmental Law; and
 - (vii) Profound holds all licenses, 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 licenses, 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 Profound, (B) notifications relating to reclamation obligations under the *Environmental Protection and Enhancement Act* (Alberta) and (C) such notifications as have been disclosed in writing to Defiant, Profound has not received any notification pursuant to any Environmental Laws that any work, repairs, construction or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any license, permit or approval issued pursuant thereto, or that any license, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;
- (p) Profound is a "reporting issuer" or has equivalent status in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario within the meaning of the Applicable Laws in such provinces and is not in default of any material requirement of Applicable Laws in any material respect;
- (q) the Profound Shares are listed on the TSX and Profound is not in material default of any of the rules, policies or bylaws of such exchange;
- (r) although it does not warrant title:
- (i) Profound has no reason to believe that Profound does not have the right, subject to Applicable Laws and to applicable title documents, to produce and sell its petroleum, natural gas and related hydrocarbons (for the

purposes of this clause, the foregoing are referred to as the "**Interests**") and represents and warrants that, except as disclosed in Profound Public Record, the Interests are free and clear of adverse claims created by, through or under Profound, except those arising in the ordinary course of business, and, to its knowledge, Profound holds the Interests under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements; and

- (ii) Profound is not aware of any defects, failures or impairments in the title of Profound to its oil and gas properties, whether or not an action, suit, proceeding or inquiry is pending or threatened and whether or not discovered by any third party, which in aggregate could have a material adverse effect on: (a) the quantity and pre-tax present worth values of the oil and gas reserves of Profound; (b) the current production of Profound; or (c) the current cash flow of Profound;
- (s) since November 19, 2007 (and prior thereto to the best of Profound's knowledge, after due inquiry), the information and statements set forth in the Profound Public Record were true, correct and complete in all material respects and did not contain any misrepresentations (as defined in the *Securities Act* (Alberta)), as of the date of such information or statement, and no material changes occurred in relation to Profound which is not disclosed in the Profound Public Record or contemplated herein, and Profound has not filed any confidential material change reports which are still maintained on a confidential basis;
- (t) the minute books, books of account and other records of Profound have (whether of a financial or accounting nature or otherwise) been maintained in accordance with, in all material respects, all applicable statutory requirements and prudent business practice and are complete and accurate in all material respects;
- (u) Profound has duly and timely filed, in proper form, returns in respect of taxes under the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada), the *Alberta Corporate Tax Act* and the tax legislation of any other province of Canada or any foreign country having jurisdiction over its affairs for all prior periods in respect of which such filings have heretofore been required, and all taxes shown thereon and all taxes now owing have been paid or accrued on its books and there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any federal, provincial or other tax return for any period, and all payments to any non-resident of Canada have been made in accordance with all applicable legislation in respect of withholding tax, is not aware of any contingent tax liabilities or any grounds for reassessment, there are no material assessments or reassessments pursuant to which there are amounts owing or discussions in respect thereof with any taxing authority and it has withheld from each payment made to any of its directors, officers and employees and former directors, officers and employees the amount of all taxes (including, without limitation, income tax) and other deductions required to be withheld therefrom and has paid the same to the proper tax or other authority within the time required under any applicable tax legislation and has remitted to the proper tax authority when required by law to do so, all amounts collected by it on account of GST and is a "taxable Canadian corporation" for the purposes of the *Income Tax Act* (Canada);
- (v) all necessary corporate actions have been taken to authorize the issuance of the Profound Shares to be issued pursuant to the Arrangement and such Profound Shares have been reserved for issuance in connection therewith and when issued pursuant to the Arrangement will be validly issued as fully paid and non-assessable;
- (w) all filings made by it 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 or previously accrued on its accounts to be recovered or disallowed;
- (x) as of the date of this Agreement, except for the requirement to incur and renounce to investors prior to December 31, 2008 approximately \$12,000,000 of Canadian exploration expense as defined under the *Income Tax Act* (Canada), Profound does not have any requirements to incur or renounce to investors any Canadian exploration expense or Canadian development expense, each as defined under the *Income Tax Act* (Canada), pursuant to any flow-through share agreement to which Profound is a party;
- (y) since January 1, 2008, Profound's net corporate production (excluding royalty volumes), defined as working interest corporate sales production, averaged not less than 2,675 BOE per day;

- (z) Profound's current undeveloped ownership is not less than 42,500 net acres;
- (aa) the Profound Information will be true, complete and accurate in all material respects and shall not contain any misrepresentation (as defined in the *Securities Act* (Alberta)) and shall contain all information in respect of Profound and the Profound Shares required by Applicable Laws to be included in the Information Circular;
- (bb) Profound is not a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of Profound and applicable laws and indemnification provisions in underwriting, agency, depositary and transfer agency agreements) or any other like commitment of the obligations, liabilities (contingent or otherwise) of indebtedness of any other person;
- (cc) Profound does not have any loans or other indebtedness outstanding which have been made to or from any of its shareholders, officers, directors or employees or any other person not dealing at arm's length with Profound that are currently outstanding;
- (dd) to the knowledge of Profound, any and all operations by third parties, on or in respect of the assets and properties of Profound, have been conducted in accordance with good oil and gas industry practices and in material compliance with applicable laws, rules, regulations, orders and directions of government and other competent authorities;
- (ee) except as disclosed in the Profound Public Record, as at January 18, 2007, Profound has no Swaps outstanding; and
- (ff) neither Profound nor, to its knowledge, any of its shareholders, is a party to any unanimous shareholders agreement, pooling agreement, voting trust or other similar type of arrangements in respect of outstanding securities of Profound.
- (gg) all *ad valorem*, property, production, severance and similar taxes and assessments, royalties or lease rentals based on or measured by the ownership of property or the production of petroleum substances or the receipts of proceeds therefrom payable by Profound in respect of any properties or assets up to the date hereof and to the Effective Time have been or will be properly and fully paid and discharged;
- (hh) no officer, director, employee or consultant of Profound, any associate or affiliate of any such person or any party not at arm's length to Profound owns, has or is entitled to any royalty, net profits interest, carried interest or other Encumbrances of any nature whatsoever which are based on production from Profound's properties or assets or any revenue or rights attributed thereto;
- (ii) it has made available to Defiant copies of or details, in all material respects, of all employment, severance or change of control arrangements with the directors, officers and employees of Profound;
- (jj) Profound has not retained any financial advisor, broker, agent or finder, or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement or the Arrangement, any transaction contemplated hereby or any transaction presently ongoing or contemplated;
- (kk) Profound's transaction costs related to the Arrangement (meaning all legal fees (excluding GST and reasonable disbursements) and accounting fees) but excluding TSX listing fees, will not exceed \$350,000;
- (ll) Profound has not implemented a shareholder rights protection plan or similar arrangement; and
- (mm) there are no material non-competition, exclusivity or other similar agreements, commitments or understandings in place to which Profound is a party or by which it is otherwise bound that would now or hereafter in any way limit the business or operations of Profound in a particular manner or to a particular locality or geographic region or for a limited period of time and the execution, delivery and performance of this agreement does not and will not result in the restriction of Profound from engaging in this business or from competing with any person or in any geographic area.

ARTICLE 4 COVENANTS

4.1 Mutual Covenants

Each of the parties to this Agreement covenants and agrees that, until the Effective Date or the day upon which this Agreement is terminated, whichever is earlier, it:

- (a) will use its reasonable commercial efforts to satisfy or cause the satisfaction of the conditions precedent to its obligations hereunder set forth in Article 5 to the extent the same are within its control and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws to complete the Arrangement, including using its reasonable commercial efforts:
 - (i) to obtain all necessary waivers, consents and approvals required to be obtained by it from other parties to loan agreements, leases and other contracts;
 - (ii) to obtain all necessary consents, approvals and authorizations as are required to be obtained by it under any Applicable Laws; and
 - (iii) to effect all necessary registrations and filings and submissions of information requested by governmental authorities required to be effected by it in connection with the Arrangement,

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

- (b) will cooperate with the other party to this Agreement in connection with the performance by it of its obligations hereunder;
- (c) subject to the terms of the confidentiality agreements between the parties hereto dated January 11, 2008 and January 15, 2008 (the "**Confidentiality Agreements**"), will make available and cause to be made available to the other party to this Agreement, and its agents and advisors, as soon as possible, all documents and agreements in any way relating to or affecting its business, financial condition, operations, prospects, properties, assets and affairs, and such other documents or agreements as may be necessary to enable such other party to effect a thorough investigation of its business, properties and financial status, except where it is contractually precluded from making such document or agreement available in which case it shall cooperate with the other party in securing access to any such documentation not in its possession or under its control;
- (d) except as contemplated by Section 6.2, will not take any action, refrain from taking any action, or permit any action to be taken or not taken, inconsistent with this Agreement or which might, directly or indirectly, interfere with or adversely affect the completion of the Arrangement.

4.2 Covenants of Profound

Profound covenants and agrees that, until the Effective Date or the day upon which this Agreement is terminated, whichever is earlier, except as required by law or as otherwise expressly permitted or specifically contemplated by this Agreement:

- (a) it will provide to Defiant in a timely and expeditious manner all information as may be reasonably requested by Defiant or is required by the Interim Order or Applicable Laws with respect to Profound and its business and properties for inclusion in the Information Circular or in any amendments or supplements to the Information Circular complying in all material respects with all applicable legal requirements on the date of mailing thereof;
- (b) it will indemnify and save harmless Defiant and Defiant's directors, officers, employees and agents from and against all claims, suits, actions, causes of action, liabilities, damages, costs, charges and expenses to which Defiant, or any director,

officer, employee or agent thereof, may be subject or for which Defiant, or any directors, officers, employees or agents thereof, may suffer, whether under the provisions of any statute or otherwise, in any way caused by, arising, directly or indirectly, from or in consequence of any misrepresentation or alleged misrepresentation based solely on the Profound Information contained in the Information Circular or any material in respect of Profound filed in compliance or intended compliance with Applicable Laws;

- (c) it will forthwith carry out the terms of the Interim Order and the Final Order provided that nothing shall require Profound to consent to any modifications of this Agreement, the Plan of Arrangement or Profound's obligations hereunder;
- (d) it will apply to the TSX for its approval of the listing of the Profound Shares issuable under the Arrangement on the facilities of that exchange and will use its reasonable commercial efforts to obtain such approval prior to the mailing of the Information Circular;
- (e) it will prepare and file with all applicable securities commissions or similar securities regulatory authorities of Canada all necessary applications to seek exemptions, if required, from the prospectus, registration and other requirements of the applicable securities laws of Canada for the issue by Profound and delivery by Profound of Profound Shares pursuant to the Arrangement so that such securities may trade following the completion of the Arrangement without a hold period;
- (f) it will cause to be taken all necessary action to allot and reserve for issuance the Profound Shares to be issued in exchange for Defiant Shares in connection with the Arrangement and, on the Effective Date, cause to be issued fully paid and non-assessable Profound Shares to the depositary under the Arrangement for distribution to those persons entitled thereto pursuant to the Arrangement;
- (g) it will make all other necessary filings and applications under Applicable Laws required in connection with the transactions contemplated herein and take all reasonable action necessary to be in compliance with such laws and regulations;
- (h) it will furnish promptly to Defiant (i) a copy of each notice, report, schedule or other document delivered, filed and received by Profound in connection with the Arrangement and the Meeting, (ii) any filing under Applicable Laws and (iii) any documents related to dealings with regulatory agencies in connection with the transactions contemplated hereby;
- (i) it will use its reasonable commercial efforts to conduct its affairs so that all of its representations and warranties contained herein shall be true and correct on and as of the Effective Date as if made at such time;
- (j) it will not take any action that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect at any time;
- (k) it will promptly notify Defiant in writing of any material change (actual, anticipated, contemplated or, to its knowledge, threatened), financial or otherwise, in its business, operations, affairs, assets, capitalization, financial condition, prospects, licenses, permits, rights, privileges or liabilities, whether contractual or otherwise, of Profound or of any change in any representation or warranty provided by Profound in this Agreement which change is or may be of such a nature to render any representation or warranty misleading or untrue in any material respect and Profound shall in good faith discuss with Defiant any change in circumstances (actual, anticipated, contemplated, or, to its knowledge, threatened) which is of such a nature that there may be a reasonable question as to whether notice need be given to Defiant pursuant to this provision;
- (l) it will continue to be a "reporting issuer" (or have equivalent status) not in default in all of the provinces of Canada in which it is currently a "reporting issuer" in material compliance with all Applicable Laws and the Profound Shares shall continue to be listed on the TSX;
- (m) on the Effective Date, it shall provide to the depositary under the Arrangement an irrevocable direction authorizing and directing such depositary to deliver the Profound Shares issuable pursuant to the Arrangement to Defiant Shareholders in accordance with the terms of the Arrangement;

- (n) Profound agrees that Defiant shall be entitled to secure directors' and officers' liability insurance for Defiant's present and former directors and officers, covering claims made prior to and within six (6) years after the Effective Date and on a "trailing" or "run-off" basis, which has scope and coverage substantially equivalent in scope and coverage to that provided by Defiant's current directors' and officers' insurance policy and Defiant shall advise Profound of the cost thereof in advance. Profound agrees to maintain such insurance in place and agrees not to take any action, or to cause Defiant to take any action, to terminate such directors' and officers' liability insurance or any indemnity agreements in favour of current directors and officers of Defiant in place prior to the date hereof and in the form disclosed to Profound prior to the date hereof. Alternatively, Profound may notify Defiant prior to the Effective Date that such coverage is to be provided under Profound's officers' and directors' liability insurance, in which case the foregoing shall apply *mutatis mutandis* to Profound's coverage in respect thereof.

4.3 Covenants of Defiant

Defiant covenants and agrees that, until the Effective Date or the day upon which this Agreement is terminated, whichever is earlier, except as required by law or as otherwise expressly permitted or specifically contemplated by this Agreement:

- (a) it will forthwith carry out the terms of the Interim Order and the Final Order provided that nothing shall require Defiant to consent to any modifications of this Agreement, the Plan of Arrangement or Defiant's obligations hereunder;
- (b) subject to the provisions hereof, including Section 4.2(a), it will, in a timely and expeditious manner:
- (i) convene the Meeting and distribute copies of the Information Circular, which shall include a copy of this Agreement, or a written summary thereof prepared by Defiant in form and substance reasonably satisfactory to Profound, in each case as ordered by the Interim Order;
 - (ii) provide notice to Profound of the Meeting and allow Profound's representatives to attend the Meeting unless such attendance is prohibited by the Interim Order; and
 - (iii) conduct the Meeting in accordance with the Interim Order, the by-laws of Defiant and any instrument governing such meeting, as applicable, and as otherwise required by law;
- (c) it will, in cooperation with Profound, prepare and file the Information Circular and any amendments or supplements to the Information Circular and mail the same to the Defiant Shareholders as required by the Interim Order and in accordance with Applicable Laws in all jurisdictions where the same is required and will use its reasonable commercial efforts to do so on or before February 15, 2008;
- (d) it will, except for proxies and other non-substantive communications with security holders, furnish promptly to Profound (i) a copy of each notice, report, schedule or other document delivered, filed or received by Defiant in connection with the Arrangement and the Meeting, (ii) any filings under Applicable Laws and (iii) any documents related to dealings with regulatory agencies in connection with the transactions contemplated herein;
- (e) it will make all other necessary filings and applications under Applicable Laws required on the part of Defiant in connection with the transactions contemplated herein and take all reasonable action necessary to be in compliance with such laws and regulations;
- (f) it will, in all material respects, conduct itself so as to keep Profound fully informed as to the decisions required with respect to the most advantageous methods of exploring, operating and producing from its assets;
- (g) it will use its reasonable commercial efforts to conduct its affairs so that all of its representations and warranties contained herein shall be true and correct on and as of the Effective Date as if made at such time;
- (h) it will prepare and file in accordance with Applicable Laws in all jurisdictions where the same is required on or prior to the Effective Date, its audited financial statements as at and for the year ended December 31, 2007;

- (i) except as otherwise permitted in this Agreement, it will conduct its business only in the usual and ordinary course of business and consistent with past practices (for greater certainty, where it is an operator of any property, it shall operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property) and Defiant shall regularly consult with Profound in respect of the ongoing business and affairs of Defiant and keep Profound apprised of all material developments relating thereto;
- (j) it will not take any action that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect at any time;
- (k) except as contemplated by this Agreement, it will not directly or indirectly do or permit to occur any of the following:
 - (i) amend its constating documents;
 - (ii) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of the Defiant Shares owned by any Person;
 - (iii) issue (other than on exercise of currently outstanding Defiant Options), grant, sell or pledge or agree to issue, grant, sell or pledge any shares of Defiant, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, shares of Defiant;
 - (iv) redeem, purchase or otherwise acquire any of the outstanding Defiant Shares or other securities except as permitted herein;
 - (v) split, combine or reclassify any of the Defiant Shares;
 - (vi) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of Defiant; or
 - (vii) enter into or modify any material contract, agreement, commitment or arrangement with respect to any of the foregoing, except with the consent of Profound or as otherwise permitted herein;
- (l) it will not, without the prior written consent of Profound, directly or indirectly do any of the following other than pursuant to commitments entered into prior to the date of this Agreement or as contemplated hereunder:
 - (i) sell, pledge, gift, dispose of or encumber any assets for consideration in excess of \$25,000 for any single item and \$100,000 in the aggregate, other than customary sales of production consistent with past practice;
 - (ii) except in circumstances where it reasonably determines that expenditure or action is necessary for the protection of life and property (in which event Defiant will promptly notify Profound in writing of such expenditure or action), and except for payments contemplated by this Agreement or Defiant's capital budget previously disclosed in writing to Profound, not make, commit or allow commitments to make expenditures exceeding \$50,000 for any single item;
 - (iii) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof, or, except for investments in securities made in the ordinary course of business, make any investment either by purchase of shares or securities, contributions of capital (other than to subsidiaries), property transfer, or, except in the ordinary course of business, purchase of any property or assets of any other individual or entity;
 - (iv) incur any indebtedness for borrowed money or any other material liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligation of any other individual or entity, or make any loans or advances, except in the ordinary course of business or to fund expenses permitted by this Agreement; or

- (v) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;
- (m) except with the prior written consent of Profound, it will not grant to any officer or director an increase in compensation in any form, grant any general salary increase, grant to any other employee any increase in compensation in any form, make any loan to any officer, director or any other party not at arm's length, or grant any severance or termination pay to any officer arising from the Arrangement or a change of control of Defiant (other than as referred to in Section 3.1(x) and agreements relating to the exercise or termination of outstanding Defiant Options as contemplated herein) or the entering into of any employment agreement with any senior officer or director;
- (n) except as otherwise agreed to in writing between Profound and Defiant, it will not adopt or amend or make any contribution to any bonus, profit sharing, option, pension, retirement, deferred compensation, insurance incentive compensation, other compensation or other similar plan, agreement, trust, fund or arrangement for the benefit of employees, except as is necessary to comply with the law and except as referred to in Section 3.1(x);
- (o) it will not take any action that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect at any time;
- (p) it shall promptly notify Profound in writing of any material change (actual, anticipated, contemplated or, to the knowledge of Defiant, threatened), financial or otherwise, in its business, operations, affairs, assets, capitalization, financial condition, prospects, licenses, permits, rights, privileges or liabilities, whether contractual or otherwise, of Defiant or of any change in any representation or warranty provided by Defiant in this Agreement which change is or may be of such a nature to render any representation or warranty misleading or untrue in any material respect and Defiant shall in good faith discuss with Profound any change in circumstances (actual, anticipated, contemplated, or, to the knowledge of Defiant, threatened) which is of such a nature that there may be a reasonable question as to whether notice need be given to Profound pursuant to this provision;
- (q) it shall promptly advise Profound of the number of Defiant Shares for which Defiant receives notices of dissent or written objections to the Arrangement or notices to appear in connection with application for the Final Order and provide Profound with copies of such notices and written objections; and
- (r) Defiant will use its reasonable commercial efforts to enter into agreements in the form negotiated by Profound and Defiant with the holders of all of the Defiant Options on or before the later of (i) February 15, 2008; and (ii) the date of completion of the Information Circular, pursuant to which the holders of the Defiant Options have agreed to either: (i) exercise their Defiant Options prior to the Effective Time; and/or (ii) cancel their Defiant Options prior to the Effective Time;

ARTICLE 5 CONDITIONS

5.1 Mutual Conditions

The respective obligations of Profound and Defiant to complete the transactions contemplated hereby are subject to fulfillment of the following conditions on or before the Effective Date or such other time as is specified below:

- (a) the Interim Order shall have been granted on or before February 25, 2008 in form and substance satisfactory to Profound and Defiant, acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to Profound and Defiant, acting reasonably, on appeal or otherwise;
- (b) a resolution shall have been passed by the Defiant Shareholders at the Meeting, duly approving the Arrangement, with or without amendment, in accordance with the Interim Order and in form and substance satisfactory to each of Profound and Defiant, acting reasonably;
- (c) the Final Order shall have been granted in form and substance satisfactory to Profound and Defiant, acting reasonably;

- (d) the Articles of Arrangement relating to the Arrangement shall be in form and substance satisfactory to Profound and Defiant, acting reasonably;
- (e) the Arrangement shall have become effective on or prior to March 31, 2008 or such later date agreed to in writing by Profound and Defiant, acting reasonably;
- (f) the additional Profound Shares to be issued under the Arrangement shall have been conditionally approved for listing on the TSX subject to the filing of required documentation and on terms and conditions satisfactory to Profound and Defiant, acting reasonably;
- (g) each of Defiant and Profound shall have obtained all consents, approvals and authorizations, regulatory or otherwise, including third party approvals and consents, required or necessary to be obtained by it in connection with the transactions contemplated herein on terms and conditions reasonably satisfactory to the other party, acting reasonably; and
- (h) there shall be no action taken under any existing Applicable Law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, that:
 - (i) makes it illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated herein;
 - (ii) has the effect or may have the effect to cease trade, enjoin, prohibit or impose material limitations on trading in the Profound Shares or Defiant Shares;
 - (iii) results in a judgment or assessment of material damages, directly or indirectly, relating to the transactions contemplated herein;
 - (iv) prohibits Profound's or Defiant's ownership or operation of all or any material portion of the business or assets of Profound or Defiant, respectively, or compels Profound or Defiant to dispose of or hold separately all or any portion of the business or assets of Profound or Defiant or the Defiant Shares;
 - (v) imposes or confirms material limitations on the ability of Profound to effectively exercise full rights of ownership of the Defiant Shares, including, without limitation, the right to vote any such securities; or
 - (vi) imposes or confirms material limitations on the ability of the Defiant Shareholders to effectively exercise full rights of ownership of the Profound Shares issued pursuant to the Arrangement, including, without limitation, the right to vote any such securities.

The foregoing conditions are for the mutual benefit of Profound and Defiant and may be waived, in whole or in part, by mutual agreement in writing of Profound and Defiant at any time. If any of the said conditions precedent shall not be complied with or waived on or before the date required for the performance thereof, Profound or Defiant may, in addition to the other remedies it may have at law or in equity, rescind and terminate this Agreement by written notice to the other party provided prior to filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, which notice shall specify in reasonable detail the matters which the party delivering such notice is asserting as the basis of the non-fulfillment of the applicable condition precedent.

5.2 Profound's Conditions

The obligation of Profound to complete the transactions contemplated herein is subject to fulfilment of the following conditions on or before the Effective Date or such other time as specified below:

- (a) concurrent with Defiant executing this Agreement, all of the directors, officers and other shareholders of Defiant holding not less than 24% of the issued and outstanding Defiant Shares shall have entered into support agreements with Profound on terms as agreed to by Defiant and Profound pursuant to which agreements all of the directors and officers of Defiant

will agree to vote the Defiant Shares beneficially owned or controlled by them in favour of the Arrangement and to otherwise support the Arrangement, as provided therein;

- (b) except as affected by transactions contemplated by this Agreement, the representations and warranties made by Defiant in this Agreement shall be true in all material respects as of the date hereof and as of the Effective Date as if made on and as of such date (except for representations and warranties which refer to another date, which shall be true and correct as of that date) and Defiant shall have provided to Profound certificates of two officers of Defiant certifying such accuracy on the Effective Date and Profound shall have no knowledge to the contrary;
- (c) Defiant shall have complied in all material respects with its covenants herein and shall have provided to Profound certificates of two officers of Defiant certifying that it has complied with its covenants herein and Profound shall have no knowledge to the contrary;
- (d) the Defiant Board shall have made, and not modified or amended in a manner materially adverse to the Arrangement, prior to the Meeting, an affirmative unanimous recommendation that the Defiant Shareholders approve the Arrangement;
- (e) there shall not have occurred any change (or any condition, event or development involving a prospective change) not publicly disclosed as at the date hereof, or disclosed to Profound in writing prior to the date hereof, in the business, operations, assets, capitalization, financial condition or liabilities, whether contractual or otherwise, of Defiant which, in the sole judgment of Profound, acting reasonably, is materially adverse to the business of Defiant or to the value of the Defiant Shares to Profound (other than a material adverse change resulting from: (i) conditions affecting the oil and gas industry generally in jurisdictions in which Defiant carries on business, including changes in commodity prices or taxes; (ii) conditions affecting the oil and gas industry generally in those geographic areas where Profound and Defiant both have operations and properties; (iii) general economic, financial, currency exchange, securities or commodities market conditions; or (iv) any matter permitted by this Agreement or consented to by Profound, including, without limitation, the payments contemplated by Sections 3.1(u),(v) and (w));
- (f) immediately prior to the Effective Time the aggregate number of Defiant Shares issued and outstanding is not more than 22,611,986 Defiant Shares;
- (g) all outstanding Defiant Options shall have been exercised or shall have been cancelled prior to the Effective Time;
- (h) Defiant and each of the holders of the Defiant Options shall have entered into agreements in the form negotiated by Profound and Defiant pursuant to which the holders of the Defiant Options have agreed to either: (i) exercise all of their Defiant Options prior to the Effective Time; and/or (ii) cancel all of their Defiant Options prior to the Effective Time;
- (i) Defiant's Debt as at January 15, 2008, did not exceed \$20 million;
- (j) all of the directors and senior officers of Defiant shall have tendered their resignations together with releases in favour of Defiant and Profound effective as of the Effective Time and all employees whose employment is not continued shall have provided releases in favour of Defiant and Profound, each in form and substance and on terms satisfactory to Profound, acting reasonably; and
- (k) holders of not greater than 5% of the outstanding Defiant Shares shall have exercised rights of dissent in respect of the Arrangement that have not been withdrawn as at the Effective Date.

The foregoing conditions precedent are for the benefit of Profound and may be waived in whole or in part by Profound in writing at any time. If any of the said conditions shall not be complied with or waived by Profound on or before the date required for the performance thereof, Profound may, in addition to the other remedies it may have at law or equity, rescind and terminate this Agreement by written notice to Defiant provided prior to filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, which notice shall specify in reasonable detail all breaches of covenants, representations and warranties or other matters which Profound is asserting on the basis of the non-fulfillment of the applicable condition precedent.

5.3 Defiant Conditions

The obligation of Defiant to complete the transactions contemplated herein is subject to the fulfillment of the following conditions on or before the Effective Date or such other time as specified below:

- (a) except as affected by transactions contemplated by this Agreement, the representations and warranties made by Profound in this Agreement shall be true in all material respects as of the date hereof and as of the Effective Date as if made on and as of such date (except for representations and warranties which refer to another date, which shall be true and correct as of that date) and Profound shall have provided to Defiant certificates of two officers of Profound certifying such accuracy on the Effective Date and Defiant shall have no knowledge to the contrary;
- (b) Defiant shall be satisfied, acting reasonably, that the Profound Shares issued to Defiant Shareholders pursuant to the Arrangement (i) shall not be subject to any hold period, restricted period or seasoning period under Applicable Laws that shall not have been satisfied on the Effective Date, and (ii) shall have been conditionally accepted for listing on the TSX, subject only to the filing of documentation that cannot be filed prior to the Effective Date;
- (c) Profound shall have complied in all material respects with its covenants herein and shall have provided to Defiant certificates of two officers of Profound certifying that Profound has complied with its covenants herein and Defiant shall have no knowledge to the contrary;
- (d) there shall not have occurred any change (or any condition, event or development involving a prospective change) not publicly disclosed as at the date hereof, or disclosed to Defiant in writing prior to the date hereof, in the business, operations, assets, capitalization, financial condition or liabilities, whether contractual or otherwise, of Profound which, in the sole judgment of Defiant, acting reasonably, is materially adverse to the business of Profound (taken as a whole) or to the value of the Profound Shares (other than a material adverse change resulting from: (i) conditions affecting the oil and gas industry generally in jurisdictions in which Profound carries on business, including changes in commodity prices or taxes; (ii) conditions affecting the oil and gas industry generally in those geographic areas where Profound and Defiant both have operations and properties; (iii) general economic, financial, currency exchange, securities or commodities market conditions; and (iv) any matter permitted by this Agreement or consented to by Defiant; and
- (e) Profound's Debt as at December 31, 2007 did not exceed \$34.2 million.

The foregoing conditions precedent are for the benefit of Defiant and may be waived, in whole or in part, by Defiant in writing at any time. If any of the said conditions shall not be complied with or waived by Defiant on or before the date required for their performance then Defiant may, in addition to the other remedies it may have at law or equity, rescind and terminate this Agreement by written notice to Profound provided prior to filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, which notice shall specify in reasonable detail all breaches of covenants, representations and warranties or other matters which Defiant is asserting on the basis of the non-fulfillment of the applicable condition precedent.

5.4 Satisfaction of Conditions

The conditions set forth in this Article 5 shall be conclusively deemed to have been satisfied, waived or released when, with the agreement of the parties, Articles of Arrangement are filed under the ABCA to give effect to the Arrangement.

ARTICLE 6 TERMINATION FEES AND STANDSTILL

6.1 Defiant Termination Fee

If at any time after the execution of this Agreement:

- (a) other than as a direct result of and in direct response to a material breach or non-performance by Profound of any of its covenants, agreements, representations and warranties in this Agreement, the Defiant Board has withdrawn or changed any of its recommendations or determinations referred to in Section 3.1(z) in a manner adverse to Profound or shall have resolved to do so prior to the Effective Date;

- (b) an Acquisition Proposal is publicly announced, proposed, offered or made to the Defiant Shareholders or to Defiant and the Defiant Shareholders do not approve the Arrangement or the Arrangement is not submitted for their approval, and such Acquisition Proposal or an amended version thereof is consummated within twelve months of the date the Acquisition Proposal is publicly announced, proposed, offered or made;
- (c) Defiant accepts, recommends, approves or enters into an agreement to implement a Superior Proposal;
- (d) Defiant is in breach of any of its covenants made in this Agreement which breach individually or in the aggregate causes or would be reasonably expected to cause a material adverse change in respect of Defiant or materially impedes the completion of the Arrangement, and Defiant fails to cure such breach within five (5) Business Days after receipt of written notice thereof from Profound (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond March 31, 2008); or
- (e) Defiant is in breach of any of its representations or warranties made in this Agreement (without giving effect to any materiality qualifiers contained therein) which breach individually or in the aggregate causes or would be reasonably expected to cause a material adverse change in respect of Defiant or materially impedes the completion of the Arrangement, and Defiant fails to cure such breach within five (5) Business Days after receipt of written notice thereof from Profound (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond March 31, 2008);

then upon termination of this Agreement by Profound pursuant to Article 7, Defiant shall pay to Profound \$1.5 million (the "**Profound Termination Fee**") as liquidated damages in immediately available funds to an account designated by Profound within two business days after the first to occur of the events described above or, in respect of Section 6.1(d) or Section 6.1(e), following Profound's demand therefor, and after such event but prior to payment of such applicable amount, Defiant shall be deemed to hold such funds in trust for Profound.

In the event that Profound becomes entitled to receive the Defiant Termination Fee as a result of the operation of this Section 6.1, then payment of such fee shall constitute the sole remedy of Profound and shall be conclusively deemed to be a genuine pre-estimate of any damages suffered by Profound in connection with this Agreement or the breach of any term hereof and shall operate in full and final satisfaction of any and all liability which Defiant may have to Profound pursuant to the terms of this Agreement or the breach of any of Defiant's covenants, representations or warranties contained herein.

6.2 Defiant Covenants Regarding Non-Solicitation

- (a) Defiant shall immediately cease and cause to be terminated all existing discussions and negotiations (including, without limitation, through any advisors or other parties on its behalf), if any, with any parties conducted before the date of this agreement with respect to any Acquisition Proposal and shall, through FirstEnergy, immediately request the return or destruction of all information provided to any third parties who have entered into a confidentiality agreement with Defiant relating to a potential Acquisition Proposal and shall direct or instruct FirstEnergy to use all reasonable commercial efforts to ensure that such requests are honoured.
- (b) Defiant shall not directly or indirectly, do or authorize or permit any of its officers, directors or employees or any financial advisor, expert or other representative retained by it to do, any of the following:
 - (i) solicit, knowingly facilitate, initiate or encourage any Acquisition Proposal;
 - (ii) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or furnish to any other person any information with respect to its businesses, properties, operations, prospects or conditions (financial or otherwise) in connection with an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other person to do or seek to do any of the foregoing;
 - (iii) waive, or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to waive or otherwise forbear in respect of, any rights or other benefits under confidential information agreements, including, without limitation, any "standstill provisions" thereunder; provided,

however, if, prior to the consummation of the Transaction, Defiant receives a request from a person who is subject to a standstill obligation to waive or release such person from its standstill obligation in order to make an unsolicited bona fide Acquisition Proposal or Superior Proposal or to implement a Superior Proposal, Defiant may release such person from its standstill obligation only to the extent required to allow such person to make an Acquisition Proposal or a Superior Proposal for consideration by the Defiant Board in accordance with this Section 6.2 or to implement a Superior Proposal; or

- (iv) accept, recommend, approve or enter into an agreement to implement an Acquisition Proposal;

provided, however, that notwithstanding any other provision hereof, Defiant and its officers, directors and advisers may:

- (v) enter into or participate in any discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, after the date of this agreement, by Defiant or any of its officers, directors or employees or any financial advisor, expert or other representative retained by them) seeks to initiate such discussions or negotiations and, subject to execution of a confidentiality and standstill agreement in favour of Defiant substantially similar to the confidentiality agreement dated January 11, 2008 (the "**Confidentiality Agreement**") entered into between Profound and Defiant (provided that such confidentiality agreement shall provide for disclosure thereof (along with all information provided thereunder) to Profound as set out below), may furnish to such third party information concerning Defiant and its business, properties and assets, in each case if, and only to the extent that:
 - (A) the third party has first made a written *bona fide* Acquisition Proposal which the Defiant Board determines in good faith: (1) that funds or other consideration necessary for the Acquisition Proposal are or are likely to be available; (2) (after consultation with its financial advisor) would, if consummated in accordance with its terms, result in a transaction financially superior for Defiant Shareholders than the transaction contemplated by this agreement; and (3) after receiving the advice of outside counsel as reflected in minutes of the Defiant Board, that the taking of such action is necessary for the Defiant Board in discharge of its fiduciary duties under applicable laws (any such Acquisition Proposal herein referred to as "**Superior Proposal**"); and
 - (B) prior to furnishing such information to or entering into or participating in any such discussions or negotiations with such third party, Defiant provides notice to Profound to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such person or entity together with a copy of the confidentiality agreement referenced above and if not previously provided to Profound, copies of all information provided to such third party concurrently with the provision of such information to such third party, and provided further that Defiant shall notify Profound orally and in writing of any inquiries, offers or proposals with respect to a Superior Proposal (which written notice shall include, without limitation, a copy of any such proposal (and any amendments or supplements thereto), the identity of the person making it, if not previously provided to Profound, copies of all information provided to such party and all other information reasonably requested by Profound), within 24 hours of the receipt thereof, shall keep Profound informed of the status and details of any such inquiry, offer or proposal and answer Profound's reasonable questions with respect thereto; and
- (vi) comply with Section 172 of the *Securities Act* (Alberta) and similar provisions under applicable Canadian securities laws relating to the provision of directors' circulars and make appropriate disclosure with respect thereto to its securityholders; and
- (vii) accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party and release the third party making the Superior Proposal from any standstill provisions, if not previously released, but only if prior to such acceptance, recommendation, approval or implementation, the Defiant Board shall have concluded in good faith, after considering all proposals to adjust the terms and conditions of this Agreement as contemplated by Section 6.2(c) and after receiving the advice of outside counsel as reflected in minutes of the Defiant Board, that the taking of such action is necessary for the Defiant Board to discharge its fiduciary duties under applicable laws and Defiant comply with its obligations set forth in Section 6.2(c) and terminate this

Agreement in accordance with Section 7.3(e) and concurrently therewith pays the amount required by Section 6.1 to Profound.

- (c) Following receipt of a Superior Proposal, Defiant shall give Profound, orally and in writing, at least 48 hours advance notice of any decision by the Defiant Board to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, which notice shall confirm that the Defiant Board has determined that such Acquisition Proposal constitutes a Superior Proposal, shall identify the third party making the Superior Proposal and shall provide a true and complete copy thereof and any amendments thereto. During such 48 hour period, Defiant agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and not to release the party making the Superior Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Transaction. In addition, during such 48 hour period, Defiant shall, and shall cause its financial and legal advisors to, negotiate in good faith with Profound and its financial and legal advisors to make such adjustments in the terms and conditions of this Agreement and the Arrangement as would enable Defiant to proceed with the Arrangement as amended rather than the Superior Proposal, provided such adjustments provide Defiant Shareholders with a value (in the opinion of the Defiant Board relying on its financial advisor) per Defiant Share equal to or greater than the value per Defiant Share provided in such Superior Proposal. In the event Profound proposes to amend this Agreement and the Arrangement to provide the Defiant Shareholders with a value per Defiant Share equal to or having a value greater than the value per Defiant Share provided pursuant to the Superior Proposal and so advises the Defiant Board, in writing, prior to the expiry of such 48 hour period, the Defiant Board shall not accept, recommend, approve or enter into any agreement to implement such Superior Proposal and shall not release the party making the Superior Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement.
- (d) Profound agrees that all information that may be provided to it by Defiant with respect to any Superior Proposal pursuant to this Section 6.2 shall be treated as if it were "Evaluation Material" as that term is defined in the Confidentiality Agreement and shall not be disclosed or used except in accordance with the provisions of the Confidentiality Agreement or in order to enforce their rights under this Agreement in legal proceedings.
- (e) Each party shall ensure that its officers, directors and employees and any investment bankers or other advisers or representatives retained by it are aware of the provisions of this Section 6.2 applicable to such party. Each party shall be responsible for any breach of this Section 6.2 by such party's officers, directors, employees, investment bankers, advisers or representatives.
- (f) "**Acquisition Proposal**" means any inquiry or the making of any proposal to Defiant or the Defiant Shareholders from or by any person prior to the termination of this Agreement or the consummation of the Arrangement, as applicable, which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions): (i) an acquisition from Defiant or the Defiant Shareholders of 20% or more of the voting securities of Defiant; (ii) any acquisition of a substantial amount of assets of Defiant; (iii) an amalgamation, arrangement, merger, or consolidation involving Defiant; or (iv) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or similar transaction involving Defiant; or (v) any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by this Agreement or the Arrangement or which would or could reasonably be expected to materially reduce the benefits to Profound under this agreement or the Arrangement; except that for the purpose of the definition of "Superior Proposal" in Section 6.2(b)(v)(A) above, the references in the definition of "Acquisition Proposal" to "20% or more of the voting securities" shall be deemed to be references to "50% or more of the voting securities", and the references to "a substantial amount of assets" shall be deemed to be references to "all or substantially all of the assets".

6.3 Profound Termination Fee

If at any time after the execution of this Agreement:

- (a) Profound is in breach of any of its covenants made in this Agreement which breach individually or in the aggregate causes or would be reasonably expected to cause a material adverse change in respect of Profound or materially impedes the completion of the Arrangement, and Profound fails to cure such breach within five (5) Business Days after receipt of written notice thereof from Defiant (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond March 31, 2008); or

- (b) Profound is in breach of any of its representations or warranties made in this Agreement (without giving effect to any materiality qualifiers contained therein) which breach individually or in the aggregate causes or would be reasonably expected to cause a material adverse change in respect of Profound or materially impedes the completion of the Arrangement, and Profound fails to cure such breach within five (5) Business Days after receipt of written notice thereof from Defiant (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond March 31, 2008);

then in the event of the termination of this agreement pursuant to Article 7, Profound shall pay to Defiant \$1.5 million (the "**Profound Termination Fee**") as liquidated damages in immediately available funds to an account designated by Defiant within two business days following Defiant's demand therefor, and after such event but prior to payment of such applicable amount, Profound shall be deemed to hold such funds in trust for Defiant.

In the event that Defiant becomes entitled to receive the Profound Termination Fee as a result of the operation of this Section 6.3, then payment of such fee shall constitute the sole remedy of Defiant and shall be conclusively deemed to be a genuine pre-estimate of any damages suffered by Defiant in connection with this Agreement or the breach of any term hereof and shall operate in full and final satisfaction of any and all liability which Profound may have to Defiant pursuant to the terms of this Agreement or the breach of any of Profound's covenants, representations or warranties contained herein.

ARTICLE 7 TERMINATION

7.1 Termination by Mutual Agreement

This Agreement may, prior to the filing of the Articles of Arrangement, be terminated by mutual written agreement of Profound and Defiant without further action on the part of the Defiant Shareholders.

7.2 Termination by Profound

Profound may terminate this Agreement upon notice to Defiant if:

- (a) the Interim Order has been refused or has been granted in form or substance not satisfactory to Profound, acting reasonably, or has not been granted on or prior to February 25, 2008 or, if issued, has been set aside or modified in a manner unacceptable to Profound, acting reasonably, on appeal or otherwise;
- (b) the Arrangement is not approved by the Defiant Shareholders in accordance with the terms of the Interim Order on or before March 31, 2008;
- (c) the Final Order has not been granted in form and substance satisfactory to Profound, acting reasonably, on or prior to March 31, 2008 or, if granted, has been set aside or modified in a manner unacceptable to Profound, acting reasonably, on appeal or otherwise;
- (d) the Arrangement has not become effective on or before March 31, 2008;
- (e) the Defiant Termination Fee is payable in accordance with Section 6.1;
- (f) the Profound Termination Fee is paid in accordance with Section 6.3;
- (g) a court of competent jurisdiction or a governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting any of the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and non-appealable, provided that the party seeking to terminate this Agreement pursuant to this Section 7.2 shall have used all commercially reasonable efforts to remove such order, decree, ruling or injunction;

- (h) Defiant shall be in material breach of any of its material covenants, agreements or representations and warranties contained herein, provided that Defiant shall have been given notice of and five (5) Business Days to cure any such breach by Profound, if such breach is capable of being cured, and such breach shall not have been cured; or
- (i) upon any other circumstances hereunder that give rise to a right of termination of this Agreement by Profound, including those set forth in Sections 5.1 and 5.2 and in accordance therewith.

7.3 Termination by Defiant

Defiant may terminate this Agreement upon notice to Profound if:

- (a) the Interim Order has been refused or has been granted in form or substance not satisfactory to Defiant, acting reasonably, or has not been granted on or prior to February 25, 2008 or, if issued, has been set aside or modified in a manner unacceptable to Defiant, acting reasonably, on appeal or otherwise;
- (b) the Arrangement is not approved by the Defiant Shareholders in accordance with the terms of the Interim Order on or before March 31, 2008;
- (c) the Final Order has not been granted in form and substance satisfactory to Defiant, acting reasonably, on or prior to March 31, 2008 or, if issued, has been set aside or modified in a manner unacceptable to Defiant, acting reasonably, on appeal or otherwise;
- (d) the Arrangement has not become effective on or before March 31, 2008;
- (e) the Profound Termination Fee is payable in accordance with Section 6.3;
- (f) the Defiant Termination Fee is paid in accordance with Section 6.1;
- (g) a court of competent jurisdiction or a governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting any of the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and non-appealable, provided that the party seeking to terminate this Agreement pursuant to this Section 7.3 shall have used all commercially reasonable efforts to remove such order, decree, ruling or injunction;
- (h) Profound shall be in material breach of any of its material covenants, agreements or representations and warranties contained herein, provided that Profound shall have been given notice of and five (5) Business Days to cure any such breach by Defiant, if such breach is capable of being cured, and such breach shall not have been cured; or
- (i) upon any other circumstances hereunder that give rise to a right of termination of this Agreement by Defiant, including those set forth in Sections 5.1 and 5.3 and in accordance therewith.

7.4 Effect of Termination

Except as provided in Sections 6.1 and 6.3, the exercise by any party of any right of termination hereunder shall be without prejudice to any other remedy available to such party. If this Agreement is terminated pursuant to any provision of this Agreement, the parties shall return all materials and copies of all materials delivered to Defiant or Profound, as the case may be, or their agents. Except for the obligations set forth in Sections 6.1, 6.3 and 10.1 which shall survive any termination of this Agreement and continue in full force and effect, no party shall have any further obligations to any other party hereunder with respect to this Agreement. Nothing contained in this Article 7 shall relieve any party from any liability for any breach of any provision of this Agreement except as provided in Sections 6.1 and 6.3.

**ARTICLE 8
TRANSITIONAL PROVISIONS**

8.1 Transitional Provisions

In connection with the implementation of the Arrangement, Defiant shall cooperate with Profound to provide an orderly transition of control. To the extent that it is not restricted from doing so pursuant to confidentiality or other restrictions (which it will use reasonable commercial efforts to obtain a waiver or consent from) Defiant shall provide access to its offices to officers and employees of Profound during normal business hours on reasonable notice following the acceptance of this Agreement and the officers of Defiant shall consult with the officers of Profound (as they may reasonably request) in respect of the day-to-day operations of Defiant. Defiant shall provide to Profound information which will allow Profound, subject to the Confidentiality Agreement, to enable Profound to quickly and efficiently integrate the business and affairs of Defiant with Profound on completion of the Arrangement and in connection therewith shall permit:

- (a) Profound and its representatives to have reasonable access to Defiant's premises, field operations, records, computer systems and employees;
- (b) Profound and its representatives to interview employees of Defiant for the purpose of determining which employees will be retained or offered continued employment after completion of the Arrangement; and
- (c) Profound and its representatives to be informed of the operations of Defiant to ensure compliance with Section 4.3 hereof.

**ARTICLE 9
AMENDMENT**

9.1 Amendment

This Agreement may, at any time and from time to time before or after the holding of the Meeting, be amended by written agreement of the parties hereto without, subject to Applicable Laws, further notice to or authorization on the part of their respective securityholders, provided that, notwithstanding the foregoing, the number of Profound Shares which the Defiant Shareholders shall have the right to receive on the Arrangement may not be reduced without the approval of the Defiant Shareholders given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court.

**ARTICLE 10
GENERAL**

10.1 Expenses

Except as otherwise provided for herein, each party hereto covenants and agrees to bear its own costs and expenses in connection with the transactions contemplated hereby.

10.2 Notices

Any notice, consent, waiver, direction or other communication required or permitted to be given under this Agreement by a party to the other party shall be in writing and may be given by sending same by facsimile transmission or by hand delivery to a responsible person addressed to the party to whom the notice is to be given at its address for service herein. Any notice, consent, waiver, direction or other communication aforesaid shall, if delivered, be deemed to have been given and received on the date on which it was delivered to the address provided herein (if a Business Day and, if not, the next succeeding Business Day) and if sent by facsimile transmission be deemed to have been given and received at the time of receipt unless actually received after 4:00 p.m. at the point of delivery, in which case it shall be deemed to have been given and received on the next Business Day.

The address for service of each of the parties hereto shall be as follows:

if to Defiant:

1800, 800 – 6th Avenue SW
Calgary, Alberta T2P 3G3

Attention: Rick J. Ironside
Fax: (403) 266-5506

with a copy to:

Osler, Hoskin & Harcourt LLP
2500, 450 - 1 Street SW
Calgary, Alberta T2P 5H1

Attention: Robert A. Lehodey, Q.C.
Fax: (403) 260-9700

if to Profound:

380, 435 - 4th Avenue SW
Calgary, Alberta T2P 3A8

Attention: William Davis and Evelyn Burnett
Fax: (403) 237-6103

with a copy to:

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

Attention: Jay P. Reid
Fax: (403) 260-0330

10.3 Time of Essence

Time shall be of the essence in this Agreement.

10.4 Entire Agreement

This Agreement constitutes the entire agreement between the parties hereto and cancels and supersedes all prior agreements and understandings between the parties (including the agreement dated November 29, 2007 between Defiant and Profound) with respect to the subject matter hereof, except the Confidentiality Agreement.

10.5 Further Assurances

Each party hereto shall, from time to time, and at all times hereafter, at the request of the other party hereto, but without further consideration, do all such further acts and execute and deliver all such further documents and instruments as shall be reasonably required in order to fully perform and carry out the terms and intent hereof.

10.6 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 but the reference to such laws shall not, by conflict of laws rules or otherwise, require the

application of the law of any jurisdiction other than the Province of Alberta. Each party hereto hereby irrevocably attorns to the jurisdiction of the courts of the Province of Alberta in respect of all matters arising under or in relation to this Agreement.

10.7 Execution in Counterparts

This Agreement may be executed in identical counterparts, each of which is and is hereby conclusively deemed to be an original and the counterparts collectively are to be conclusively deemed to be one instrument. Counterparts delivered by way of facsimile transmission are deemed to be as valid as original counterparts.

10.8 Waiver

No waiver by any party hereto shall be effective unless in writing and any waiver shall affect only the matter, and the occurrence thereof, specifically identified and shall not extend to any other matter or occurrence.

10.9 Enurement and Assignment

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. This Agreement may not be assigned by any party hereto without the prior written consent of the other party hereto.

10.10 No Survival of Representations

The representations and warranties set forth in Article 3 shall terminate on, and may not be relied upon by either party to this Agreement after, the Effective Date.

10.11 Third Party Beneficiaries

The provisions of Sections 4.2(b) and (n) are intended for the benefit of the employees of Defiant and all present and former directors and officers of Defiant, as and to the extent applicable in accordance with their terms, and shall be enforceable by each of such persons and his or her heirs, executors, administrators and other legal representatives (collectively, the "**Third Party Beneficiaries**") and Profound and any successor to Profound shall hold the rights and benefits of this Section 10.11 in trust for and on behalf of the Third Party Beneficiaries and Profound hereby accepts such trust and agrees to hold the benefit of and enforce performance of such covenants on behalf of the Third Party Beneficiaries, and such are in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by contract or otherwise.

10.12 Disclosure

Each party shall receive the prior consent, not to be unreasonably withheld, of the other party prior to issuing or permitting any director, officer, employee or agent to issue, any press release or other written statement with respect to this Agreement or the transactions contemplated hereby. Notwithstanding the foregoing, if a party is required by law or administrative regulation to make any disclosure relating to the transactions contemplated herein, such disclosure may be made, but that party will consult with the other party as to the wording of such disclosure prior to its being made.

10.13 Severability

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

- (a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and
- (b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

IN WITNESS WHEREOF the parties hereto have executed this agreement as of the date first above written.

PROFOUND ENERGY INC.

Per: (Signed) "William T. Davis"
William T. Davis
President and Chief Executive Officer

DEFIANT RESOURCES CORPORATION

Per: (Signed) "Rick J. Ironside"
Rick J. Ironside
President and Chief Executive Officer

EXHIBIT 1

**Plan of Arrangement Involving Defiant Resources Corporation,
Shareholders of Defiant Resources Corporation and Profound Energy Inc.
dated for reference January 18, 2007
and made pursuant to section 193 of the *Business Corporations Act* (Alberta)**

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Plan, unless the context otherwise requires, defined terms shall have the following meanings:

"**ABCA**" means the *Business Corporations Act* (Alberta), as amended from time to time, including the regulations promulgated thereunder;

"**Arrangement**" means the arrangement under the provisions of section 193 of the ABCA on the terms and subject to the conditions set out in this Plan;

"**Arrangement Agreement**" means the arrangement agreement dated as of January 18, 2007 between Defiant and Profound to which this Plan is attached as Exhibit 1;

"**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required by the ABCA to be filed with the Registrar after the Final Order is made to give effect to the Arrangement;

"**Business Day**" means, with respect to any action to be taken, any day, other than Saturday, Sunday or a statutory holiday in the place where such action is to be taken;

"**Court**" means the Court of Queen's Bench of Alberta;

"**Defiant**" means Defiant Resources Corporation, a body corporate amalgamated under the ABCA;

"**Defiant Shareholders**" means the registered holders of Defiant Shares;

"**Defiant Shares**" means common shares of Defiant as constituted on the date hereof;

"**Depository**" means Computershare Trust Company of Canada or such other person that may be appointed by Profound for the purpose of receiving deposits of certificates formerly representing Defiant Shares;

"**Effective Date**" means the date shown on the registration statement issued by the Registrar under the ABCA giving effect to the Arrangement;

"**Effective Time**" means 12:01 a.m. (Mountain Daylight Time) on the Effective Date;

"**Final Order**" means the final order of the Court approving the Arrangement pursuant to subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"**Interim Order**" means the order of the Court pursuant to subsection 193(4) of the ABCA ordering the Meeting and setting out certain declarations and directions in respect of the Arrangement and the holding of the Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"**Letter of Transmittal**" means the letter of transmittal to be forwarded to the Defiant Shareholders with the management information circular of Defiant respecting the Meeting;

"**Meeting**" means the special meeting of the Defiant Shareholders, including any adjournment thereof, that was convened as provided by the Interim Order approving the Arrangement;

"**Plan**" means this plan as amended or supplemented from time to time, and "hereby", "hereof", "herein", "hereunder", "herewith" and similar terms refer to this Plan and not to any particular provision of this Plan;

"**Profound**" means Profound Energy Inc., a body corporate incorporated under the ABCA;

"**Profound Shares**" means common shares in the capital of Profound; and

"**Registrar**" means the Registrar of Corporations appointed pursuant to section 263 of the ABCA.

1.2 Interpretation Not Affected by Headings

The division of this Plan into articles, sections, subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Plan.

1.3 Article References

Unless the contrary intention appears, references in this Plan to an article, section, subsection, paragraph, exhibit or schedule by number or letter or both refer to the article, section, subsection, paragraph, exhibit or schedule, respectively, bearing that designation in this Plan.

1.4 Number

In this Plan, unless the contrary intention appears, words importing the singular include the plural and vice versa, words importing gender shall include all genders.

1.5 Date for Any Action

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

1.6 Currency

Unless otherwise stated, all references in this Plan to sums of money are expressed in lawful money of Canada.

ARTICLE 2 PURPOSE AND EFFECT OF THE PLAN

2.1 The purpose of the Plan is to effect an exchange of all the Defiant Shares for Profound Shares on the basis provided herein, with the result that Defiant becomes a wholly owned subsidiary of Profound.

2.2 The Plan shall be binding on Defiant, Profound and all legal and beneficial holders of Defiant Shares at the Effective Time.

2.3 The Articles of Arrangement shall be filed with the Registrar with the purpose and intent that none of the provisions of this Plan shall become effective unless all of the provisions of this Plan shall have become effective.

ARTICLE 3 THE ARRANGEMENT

3.1 Commencing at the Effective Time, the transaction set out in Section 3.2 shall occur and shall be deemed to occur, except as otherwise noted, without any further act or formality.

3.2 Subject to Sections 4.7 and 5.1, each of the issued and outstanding Defiant Shares shall be, and be deemed to be, transferred to Profound (free of any claims) in exchange for 0.55 of a Profound Share.

ARTICLE 4 OUTSTANDING CERTIFICATES AND PAYMENTS

4.1 Subject to Section 5.1, after the Effective Time, each certificate formerly representing Defiant Shares shall represent only the right to receive the number of Profound Shares the Defiant Shareholder represented by the certificate is entitled to in accordance with the terms of the Arrangement upon such holder depositing with the Depositary the certificate and such other documents and instruments as the Depositary may reasonably require.

4.2 On the Effective Date, Profound shall cause to be issued to the Depositary a certificate or certificates representing the aggregate number of Profound Shares to which the Defiant Shareholders are entitled in accordance with the terms of the Arrangement.

4.3 Promptly upon receipt of the certificates delivered by Profound pursuant to Section 4.2, the Depositary shall cause certificates representing Profound Shares to be forwarded to those persons who have deposited the certificates for such Defiant Shares and such documents and instruments required by the Depositary pursuant to Section 4.1. Such certificates shall be forwarded by first class mail, postage pre-paid, to the person and at the address specified in the relevant Letter of Transmittal or, if no address has been specified therein, at the address specified for the particular holder in the register of Defiant Shareholders. Certificates mailed pursuant hereto will be deemed to have been delivered at the time of delivery thereof to the post office.

4.4 If a certificate representing Defiant Shares has been lost, apparently destroyed or wrongfully taken, the holder of such Defiant Shares shall be entitled to obtain a replacement share certificate representing such Defiant Shares upon contacting the registrar and transfer agent of the Defiant Shares and satisfying such reasonable requirements as may be imposed by Defiant and the transfer agent in this regard.

4.5 The Depositary shall register Profound Shares in the name of each Defiant Shareholder entitled thereto or as otherwise instructed in the Letter of Transmittal deposited by such Defiant Shareholder and shall deliver such Profound Shares in accordance with Section 4.3.

4.6 After the Effective Time, the Defiant Shareholders shall not be entitled to any interest, dividend, premium or other payment on or with respect to Defiant Shares other than the Profound Shares which they are entitled to receive pursuant to this Plan.

4.7 No fractional Profound Shares will be issued. In the event that the exchange ratio referred to herein would in any case otherwise result in a Defiant Shareholder being entitled to a fractional Profound Share, the number of Profound Shares issued to such Defiant Shareholder shall be rounded up to the next greater whole number of Profound Shares if the fractional entitlement is equal to or greater than 0.5, and shall be rounded down to the next lesser whole number of Profound Shares if the fractional entitlement is less than 0.5. In calculating such fractional interests, all Defiant Shares registered in the name of each Defiant Shareholder shall be aggregated.

4.8 Any certificate formerly representing Defiant Shares that is not deposited with all other documents required hereunder on or before the sixth anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature and the right of the holder of such Defiant Shares to receive Profound Shares shall be deemed to be surrendered to Profound together with all dividends, distributions and any interest thereon held for such holder.

4.9 All dividends paid or distributions made in respect of Profound Shares to which a former Defiant Shareholder is entitled in accordance with the terms of the Arrangement, but for which a certificate representing the Profound Shares has not

been delivered to such Defiant Shareholder in accordance with this Article 4, shall be paid or delivered to the Depositary to be held in trust for such Defiant Shareholder for delivery to the Defiant Shareholder, net of all withholding and other taxes, upon delivery of the certificate in accordance with this Article 4 or surrendered to Profound pursuant to Section 4.8, as the case may be.

ARTICLE 5 SHAREHOLDER DISSENT RIGHTS

5.1 Defiant Shareholders who have given a demand for payment which remains outstanding on the Effective Date in accordance with the rights of dissent in respect of the Plan granted by the Interim Order and who:

- (a) are ultimately entitled to be paid fair value for any Defiant Shares in respect of which they dissent in accordance with the provisions of such Interim Order, whether by Order of a Court (as defined in the Act) or by acceptance of an offer made pursuant to such Interim Order, shall be deemed to have transferred such Defiant Shares to Defiant for cancellation on the Effective Date and such shares shall be deemed to no longer be issued and outstanding as of the Effective Date; or
- (b) are ultimately not so entitled to be paid fair value for the Defiant Shares in respect of which they dissent, shall not be, or be reinstated as, Defiant Shareholders, but for purposes of receipt of consideration shall be treated as if they had participated in this Plan on the same basis as a non-dissenting Defiant Shareholder and accordingly shall be entitled to receive such Profound Shares as non-dissenting Defiant Shareholders are entitled to receive on the basis set forth in Article 3 of this Plan and shall be deemed to have transferred such Defiant Shares to Profound as of the Effective Date,

and, in no event shall Profound or Defiant be required to recognize such holders of Defiant Shares as Defiant Shareholders after the Effective Date.

ARTICLE 6 AMENDMENTS

6.1 Profound and Defiant may amend, modify and/or supplement this Plan at any time and from time to time prior to the Effective Date, provided that each such amendment, modification and/or supplement must be (i) set out in writing, (ii) approved by the other party, (iii) filed with the Court and, if made following the Meeting, approved by the Court and (iv) communicated to Defiant Shareholders, if and as required by the Court.

6.2 Any amendment to, modification of or supplement to this Plan may be proposed by Profound or Defiant at any time prior to or at the Meeting (provided that the other party shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan for all purposes.

6.3 Any amendment to, modification of or supplement to this Plan that is approved by the Court following the Meeting shall be effective only if it is consented to in writing by each of Profound and Defiant.