UNDERWRITING AGREEMENT

Effective as of February 23, 2012

Pinecrest Energy Inc.
500, 255-5th Avenue S.W.
Calgary, Alberta T2P 3G6

Attention: **Mr. Dan Toews**
Vice President, Finance and Chief Financial Officer

Dear Sir:

RE: Issue of Common Shares

Canaccord Genuity Corp. ("**Canaccord**"), as lead underwriter, GMP Securities L.P., Cormark Securities Inc., Scotia Capital Inc., Peters & Co. Limited, Paradigm Capital Inc., Desjardins Securities Inc. and Dundee Securities Ltd. (collectively, the "**Underwriters**") understand that Pinecrest Energy Inc. (the "**Corporation**") proposes to issue and sell 18,500,000 common shares in the capital of the Corporation (the "**Offered Shares**").

We also understand that the Corporation will prepare and file, in accordance with the terms hereof, the Preliminary Prospectus (as defined herein) and the Prospectus (as defined herein) and all other necessary documents in order to qualify for distribution the Offered Shares (as defined herein) in each of the Qualifying Provinces (as defined herein).

Subject to the terms and conditions hereof, the Underwriters agree to purchase, severally and not jointly, as principals in the respective percentages set forth in paragraph 27 hereof, and the Corporation agrees to issue and sell to the Underwriters, on the Closing Date (as defined herein), the Offered Shares at a price of $3.25 per Offered Share for an aggregate consideration of $60,125,000. It is understood that prior to the Closing Time (as defined herein), the Underwriters will endeavor to arrange for substitute purchasers ("**Substitute Purchasers**") to purchase the Offered Shares in the place and stead of the Underwriters at the Closing Time.

With respect to Offered Shares sold in the United States pursuant to Rule 144A (as defined in Schedule "A" hereto), the Underwriters or their U.S. Affiliates (as defined in Schedule "A" hereto) shall purchase such Offered Shares from the Corporation as principal, for resale in compliance with Rule 144A. With respect to Offered Shares sold in the United States pursuant to Rule 506 of Regulation D (as defined in Schedule "A" hereto), such Offered Shares shall be offered by the Underwriters, acting only through the U.S. Affiliates, and sold directly by the Corporation to Substitute Purchasers. The number of Offered Shares required to be purchased by the Underwriters hereunder shall be reduced by the number of Offered Shares, if any, sold directly by the Corporation to Substitute Purchasers.

The Corporation and the Underwriters hereby acknowledge that the Offered Shares have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and may not be offered or sold in the United States except to Qualified Institutional Buyers (as defined in Rule 144A) in accordance with Rule 144A and to Institutional Accredited Investors (as defined in Schedule "A" hereto) in accordance with Rule 506 of Regulation D, and in each in transactions that are exempt from the registration requirements of applicable state securities laws. Accordingly, the Corporation and each of the Underwriters hereby agree that all offers and sales of the Offered Shares in the United States shall be conducted only in the manner specified in Schedule "A" hereto, which terms and conditions are hereby incorporated by reference in and form a part of this Agreement.

The Underwriters shall be entitled in connection with the offering and sale of the Offered Shares to retain as sub-agents other registered securities dealers and may receive (for delivery to the Corporation at the Closing Time) subscriptions for Common Shares from subscribers from other registered dealers. The fees payable to such sub-agents shall be for the account of the Underwriters.

In consideration for their services hereunder, the Underwriters shall be entitled to the fee provided for in paragraph 9, which fee shall be payable in accordance with paragraph 9 hereof. For greater certainty, the services provided by the Underwriters in connection herewith will not be subject to Goods and Services Tax provided for in the *Excise Tax Act* (Canada) and taxable supplies will be incidental to the exempt financial services provided. However, in the event that any governmental authority determines that the Goods and Services Tax provided for in the *Excise Tax Act* (Canada) is exigible on the fees payable to the Underwriters as provided for in paragraph 9 hereof, the Corporation agrees to pay the amount of Goods and Services Tax forthwith upon the request of the Underwriters and hereby indemnifies and saves harmless the Underwriters in respect of such Goods and Services Tax and any penalties, fines, claims, costs, expenses or other losses in relation thereto.

The following are the further terms and conditions of this Agreement:

1. Definitions:

In this Agreement:

(a) "**Agreement**" means this Underwriting Agreement, including all exhibits, schedules and all amendments or restatements, as permitted;

(b) "**AIF**" means the annual information form of the Corporation dated March 23, 2011 for the year ended December 31, 2010;

(c) "**Applicable Securities Laws**" means, collectively, all applicable securities laws, rules, regulations, notices, policies and similar instruments;

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

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

(f) "**Closing Date**" means March 14, 2012 or such other date or dates as the Underwriters and the Corporation may agree, provided that such date shall be no later than March 30, 2012;

(g) "**Closing Time**" means 6:00 a.m. (Calgary time) or such other time, on the Closing Date, as the Underwriters and the Corporation may agree;

(h) "**Common Shares**" means common shares in the capital of the Corporation;

(i) "**Control Distribution**" has the meaning ascribed thereto in Section 1.1 of National Instrument 45-102 – *Resale of Securities* of the Canadian Securities Administrators, as constituted at the date of this Agreement;

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

(k) "**Due Diligence Session**" has the meaning ascribed thereto in subparagraph 6(c);

(l) "**Exchange**" means the TSX Venture Exchange;

(m) "**Final Receipt**" means a receipt for the Prospectus issued (or deemed to be issued) by the Securities Commissions in accordance with the Prospectus Review Procedures;

(n) "**Financial Statements**" means, collectively, (i) the audited comparative financial statements of the Corporation as at and for the five month period ended December 31, 2010 and year ended July 31, 2010, together with the notes thereto and the auditor's report thereon; and (ii) the condensed interim unaudited financial statements of the Corporation as at and for the three and nine months ended September 30, 2011 and the two and eight months ended September 30, 2010, together with the notes thereto;

(o) "**GAAP**" means: (i) with respect to financial years beginning after January 1, 2011, the generally accepted accounting principles in Canada of publically accountable enterprises; and (ii) with respect to financial years beginning before January 1, 2011, the generally accepted accounting principles, in each case as set by the Canadian Institute of Chartered Accountants and as permitted by National Instrument 52-107 *Financial Disclosure*, for the preparation of financial statements;

(p) "**NI 44-101**" means National Instrument 44-101 *Short Form Prospectus Distributions*, as amended;

(q) "**Offering**" means the offering of the Offered Shares contemplated herein;

(r) "**Olympia**" means Olympia Trust Company;

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

(t) "**Preliminary Receipt**" means a receipt for the Preliminary Prospectus issued (or deemed to be issued) by the Securities Commissions in accordance with the Prospectus Review Procedures;

(u) "**Preliminary U.S. Private Placement Memorandum**" means the preliminary United States private placement memorandum, including the Preliminary Prospectus, in the form agreed by the Corporation and the Underwriters, prepared for use in connection with the offers and sales of the Offered Shares in the United States;

(v) "**Prospectus Review Procedures**" means the procedures of prospectus review in multiple jurisdictions provided for under National Policy 11-202 *Process for Prospectus Reviews in Multiple Jurisdictions* of the Securities Commissions and Multilateral Instrument 11-102 *Passport System* of the Securities Commissions (other than Ontario);

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

(x) “**Prospectuses**” means collectively, the Preliminary Prospectus and the Prospectus;

(y) “**Public Record**” means all information filed by or on behalf of the Corporation since December 31, 2008 with the Securities Commissions and accessible on the System for Electronic Document Analysis and Retrieval at www.sedar.com, including without limitation, the Preliminary Prospectus, the Prospectus, Supplementary Material and any other information filed with any Securities Commission in compliance, or intended compliance, with any Applicable Securities Laws;

(z) “**Qualifying Provinces**” means all provinces of Canada, except Québec;

(aa) “**Responses**” means the written responses delivered by the President and Chief Executive Officer, Vice President, Finance and Chief Financial Officer, Vice President, Engineering and Vice President, Business Development and Land and other directors and officers of the Corporation at the Due Diligence Session (other than any such responses or portion of such responses which are forward-looking or relate to projections, estimates or forecasts, excluding those relating to the Corporation’s oil and gas reserves);

(bb) “**Securities Commissions**” means the securities commissions or similar regulatory authorities in the Qualifying Provinces;

(cc) “**Selling Dealer Group**” means the dealers and brokers, other than the Underwriters and their U.S. Affiliates, who participate in the offer and sale of the Offered Shares pursuant to this Agreement;

(dd) “**Sproule”** means Sproule Associates Limited;

(ee) “**Supplementary Material**” means, collectively, any amendment to the Preliminary Prospectus or Prospectus, any amended or supplemented Preliminary Prospectus or Prospectus or any ancillary material which are required to be filed by or on behalf of the Corporation under the Applicable Securities Laws in connection with the distribution of the Offered Shares in the Qualifying Provinces;

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

(gg) “**Underwriters’ counsel**” means McCarthy Tétrault LLP, or such other legal counsel as the Underwriters, with the consent of the Corporation, may appoint;

(hh) “**U.S. Private Placement Memorandum**” means the United States private placement memorandum, including, the Prospectus, in the form agreed by the Corporation and the Underwriters, prepared for use in connection with the offers and sales of the Offered Shares in the United States;

(ii) “**U.S. Securities Act**” means the *United States Securities Act of 1933*, as amended, and the rules and regulations promulgated thereunder; and "**misrepresentation**", "**material change**" and "**material fact**" shall have the meanings ascribed thereto under the Applicable Securities Laws of the Qualifying Provinces; "**distribution**" means "**distribution**" or "**distribution to the public**", as the case may be, as defined under the Applicable Securities Laws of the Qualifying Provinces, and "**distribute**" has a corresponding meaning.

2. The Corporation agrees that the Offered Shares will, at the Closing Time, be duly and validly created and, upon receipt of full payment therefor, issued as fully paid and non-assessable shares of the Corporation.

3. The Underwriters covenant and agree that the proceeds received from the issuance of the Offered Shares will, subject to the terms and conditions of this Agreement, be released to the Corporation at the Closing Time.

4. The Underwriters, severally and not jointly, covenant and agree with the Corporation that they will:

   (a) offer the Offered Shares for sale: (i) to the public in the Qualifying Provinces, directly and through sub-agents, if any, in compliance with the Applicable Securities Laws and upon the terms and conditions set forth in the Prospectuses, any Supplementary Material and this Agreement and cause a similar covenant to be obtained from any member of the Selling Dealer Group in connection with the distribution of the Offered Shares; and (ii) only in accordance with Schedule "A" hereto, outside the United States in transactions that are not subject to, and in the United States in transactions that are exempt from the registration requirements of the U.S. Securities Act provided that no filing, periodic reporting or comparable obligation on the part of the Corporation arises as a result of the offering of the Offered Shares in the United States;

   (b) not solicit offers to purchase or sell the Offered Shares or otherwise conduct activities so as to require registration of the Offered Shares or the filing of a prospectus, registration statement or other notice or document with respect to the distribution of the Offered Shares under the laws of any jurisdiction other than the Qualifying Provinces. The Underwriters shall be entitled to assume that the Offered Shares are qualified for distribution in the Qualifying Provinces where the Final Receipt has been issued following the filing of the Prospectus unless the Underwriters receive notice to the contrary from the Corporation or the Securities Commissions;

   (c) use all commercial reasonable efforts to complete the distribution of the Offered Shares as soon as possible;

   (d) not to make use of any "greensheet" in respect of the Offered Shares without the approval of the Corporation and shall comply with Applicable Securities Laws with respect to the use of "greensheets" and any other marketing material during the waiting period; and

   (e) notify the Corporation when, in their opinion, they have ceased distribution of the Offered Shares and shall, as soon as practicable and in any event within 30 days following the Closing Date, provide the Corporation with a breakdown of the number of Offered Shares distributed in each of the Qualifying Provinces where such breakdown is required for the purposes of calculating fees payable to the Securities Commissions.

5. The Corporation represents and warrants to the Underwriters, and acknowledges that the Underwriters are relying upon such representations and warranties, that:

(a) each delivery of the Preliminary Prospectus, the Prospectus or any Supplementary Material pursuant to subparagraph 6(b) shall constitute a representation and warranty to the Underwriters by the Corporation (and the Corporation hereby acknowledges that the Underwriters are relying on such representations and warranties in entering into this Agreement) that:

(i) the Preliminary Prospectus, the Prospectus or any Supplementary Material, as applicable:

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

(B) contain no misrepresentation; and

(C) contain full, true and plain disclosure of all material facts relating to the Corporation and the Offered Shares as required under Applicable Securities Laws of the Qualifying Provinces;

other than any information or statements relating solely to the Underwriters and furnished in writing to the Corporation by the Underwriters expressly for inclusion in the Preliminary Prospectus, the Prospectus or any Supplementary Material, and except any information and statements which are modified or superseded by information or statements contained in the Preliminary Prospectus, the Prospectus or any Supplementary Material, as the case may be;

(ii) the Preliminary Prospectus, the Prospectus or any Supplementary Material, as applicable, complies in all material respects with the Applicable Securities Laws of the Qualifying Provinces;

(iii) except as has been disclosed in the Public Record, there has been no intervening material change (actual, proposed or prospective, whether financial or otherwise) from the date of the Preliminary Prospectus, the Prospectus and any Supplementary Material to the time of delivery of such respective document in the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation;

(b) the Corporation has been duly incorporated or formed and organized and is validly subsisting under the laws of the jurisdiction of its incorporation or formation and has all requisite corporate authority and power to carry on its business, as now conducted and as presently proposed to be conducted by it, and to own, lease and operate its properties and assets;

(c) the Corporation is duly registered and qualified to carry on business and is validly existing under the laws of each jurisdiction in which it carries on business;

(d) the Corporation has no subsidiaries and is not affiliated with, nor is it a holding corporation of any other body corporate nor is the Corporation a partner in any partnership;

(e) the Corporation has conducted and is conducting its business in compliance in all material respects with all applicable laws, rules and regulations and, in particular, all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirement of any governmental or regulatory bodies applicable to the Corporation of each jurisdiction in which the Corporation carries on business and the Corporation holds all material licences, registrations and qualifications in all jurisdictions in which the Corporation carries on business which are necessary or desirable to carry on the business of the Corporation, as now conducted and as presently proposed to be conducted except where the failure to so conduct its business or to hold such licences, registrations or qualifications would not have a material adverse effect on the Corporation and all such licenses, registrations and qualifications are valid and existing and in good standing and none of such licenses, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any material adverse effect on the business of the Corporation as now conducted or as proposed to be conducted;

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

(g) the Corporation is not in default or breach of, and the execution and delivery of, and the performance of and compliance with the terms of, this Agreement or the performance of any of the transactions contemplated hereby by the Corporation do not and will not result in any breach of, or constitute a default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or constitute a default under, any applicable laws or any term or provision of the articles, bylaws or resolutions of the directors or shareholders of the Corporation, or any mortgage, note, indenture, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which it is bound on the Closing Date, or any judgment, decree, order, statute, rule or regulation applicable to the Corporation, which default or breach might reasonably be expected to materially adversely affect the business, operations, capital or condition (financial or otherwise) of the Corporation or its properties or assets;

(h) the Corporation has full corporate power and authority to enter into this Agreement and to perform its obligations set out herein, and this Agreement has been duly authorized, executed and delivered by the Corporation, and this Agreement is a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms, subject to the general qualifications that:

    (i) enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting creditors' rights;

    (ii) equitable remedies, including the remedies of specific performance and injunctive relief, are available only in the discretion of the applicable court;

    (iii) the equitable or statutory powers of the courts in Canada to stay proceedings before them and the execution of judgments;

(iv) rights to indemnity, contribution and waiver hereunder may be limited or unavailable under applicable law;

(v) the applicable laws regarding limitations of actions;

(vi) the enforceability of provisions which purport to sever any provision which is prohibited or unenforceable under applicable law without affecting the enforceability or validity of the remainder of such document would be determined only in the discretion of the court;

(vii) the enforceability of the provisions exculpating a party from liability or duty otherwise owed by it to another and certain remedial terms and waivers of equitable defences provided for in such agreement or other document may be limited under applicable law;

(viii) the requirement of a court that the discretionary powers expressed to be conferred on any party to such agreement, indenture or other document be exercised reasonably and in good faith notwithstanding any provisions to the contrary and the possibility that such court may decline to accept as conclusive factual or legal determinations described as conclusive therein; and

(ix) the fact that costs of and incidental to all proceedings authorized to be taken in court are in the discretion of the court and that the court has full power to determine by whom and to what extent such costs shall be paid;

(i) there has not been any material change in the assets, liabilities or obligations (absolute, contingent or otherwise) of the Corporation from the position set forth in the Financial Statements other than as disclosed in the Public Record and there has not been any adverse material change in the business, operations, capital or condition (financial or otherwise) or results of the operations of the Corporation since December 31, 2010; and since that date, other than as a result of changes in commodity prices, there have been no material facts, transactions, events or occurrences which could materially adversely affect the capital, assets, liabilities (absolute, accrued, contingent or otherwise), business, operations or condition (financial or otherwise) or results of the operations of the Corporation which have not been disclosed in the Public Record;

(j) to the best of its knowledge and belief, the Financial Statements fairly present, in accordance with GAAP, consistently applied, the financial position and condition of the Corporation on a consolidated basis at the dates thereof and the results of the operations of the Corporation on a consolidated basis for the periods then ended and reflect all assets, liabilities and obligations (absolute, accrued, contingent or otherwise) of the Corporation as at the dates thereof which are required to be disclosed in accordance with GAAP;

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

(l) the books of account and other records of the Corporation, whether of a financial or accounting nature or otherwise, have been maintained, in all material respects, in accordance with prudent business practices;

(m) there are no actions, suits, proceedings or inquiries, including, to the best of the Corporation's knowledge, information and belief, pending or threatened against or affecting the Corporation at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way materially adversely affects, or would be reasonably expected to materially adversely affect, the assets, business, operations or condition (financial or otherwise) of the Corporation or which affects or would be reasonably expected to affect the distribution of the Offered Shares, and the Corporation is not aware of any existing ground on which such action, suit, proceeding or inquiry would be commenced with any reasonable likelihood of success;

(n) the Corporation 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 the Corporation and applicable law and other rights of indemnification granted under registrar and transfer agency agreements, agency or underwriting agreements, confidentiality agreements, to the Corporation's bankers, to subscribers of flow-through shares or pursuant to operating or similar agreements in the ordinary course of business) or any other like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any other person, other than as previously disclosed in the Public Record;

(o) the Corporation 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 the Corporation that are currently outstanding;

(p) the information and statements set forth in the Public Record, as such relate to the Corporation, were true, correct and complete in all material respects and did not contain any misrepresentation (as defined under Applicable Securities Laws), as of the respective dates of such information or statements, the Public Record complies with Applicable Securities Laws in all material respects and the Corporation has not filed any confidential material change reports which continue to be confidential;

(q) the authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares, of which, as at the date hereof, 195,636,384 Common Shares and nil preferred shares are outstanding as validly issued and fully paid and non-assessable shares of the Corporation;

(r) as at the date hereof, other than pursuant to the provisions of this Agreement and other than (i) 10,900,000 stock options granted to certain officers, directors, employees and consultants of the corporation; (ii) 4,830,000 performance warrants granted to certain directors, officers, employees and consultants of the Corporation; and (iii) 28,941,483 common share purchase warrants, no person, firm, corporation or other entity holds any securities convertible or exchangeable into securities of the Corporation or now has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement for the purchase, subscription or issuance of any unissued shares, securities (including convertible securities) or warrants of the Corporation;

(s) the definitive form of certificates for the Offered Shares has been duly approved and adopted by the Corporation and complies with all legal requirements under the laws governing the Corporation, and applicable requirements of the Exchange;

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

(u) the Corporation has established reserves that are adequate for the payment of all taxes of which it is aware and which are not yet due and payable and there are no liens, mortgages, charges, pledges, encumbrances or other security interests for taxes on the assets or properties of any of the foregoing entities, except for taxes not yet due;

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

(w) as at the date hereof, the Corporation is not aware of any material contingent tax liability of the Corporation or any grounds which will prompt a reassessment;

(x) the issued and outstanding Common Shares are listed and posted for trading on the Exchange, and the Corporation is in compliance with the by-laws, rules and regulations of the Exchange in all material respects;

(y) the minute books of the Corporation contain true and correct copies of all constating documents of the Corporation and contain copies of the minutes of all meetings, some of which are in draft form, and all the resolutions of directors and shareholders, as the case may be, thereof as at the date hereof;

(z) as of the date hereof, the Corporation is a "reporting issuer" or equivalent status in the Qualifying Provinces within the meaning of the Applicable Securities Laws in such provinces and is not in material default of any requirement in relation thereto;

(aa) as of the date hereof, Olympia, at its principal office in the City of Calgary, Alberta and branch office in Toronto, Ontario, is the duly appointed registrar and transfer agent of the Corporation with respect to its Common Shares;

(bb) any and all operations of the Corporation, and to the best of the Corporation's knowledge, any and all operations by third parties on or in respect of the assets and properties of the Corporation, have been conducted in accordance with good oil and gas industry practice and in material compliance with applicable laws, rules, regulations, orders and directions of government and other competent authorities except where the failure to so conduct the operations would not have a material adverse effect on the Corporation;

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

(dd) no officer, director, employee or any other person not dealing at arm's length with the Corporation or, to the knowledge of the Corporation, any "associate" or "affiliate" (as such terms are defined in the *Securities Act* (Alberta)) of any such person, owns, has or is entitled to any royalty, net profits interest, carried interest or any other encumbrances or claims of any nature whatsoever which are based on production from the properties or assets of the Corporation or any revenue or rights attributed thereto;

(ee) the Corporation is insured against such losses and risks and in such amounts as are prudent and customary in the businesses in which it is engaged; all policies of insurance insuring the Corporation or its businesses, assets, employees, officers and directors are in full force and effect, except where the failure to be in full force and effect would not have a material adverse effect on the business, operations, capital or condition (financial or otherwise) of the Corporation or its assets;

(ff) except to the extent that any violation or other matter referred to in this subparagraph does not have a material adverse effect on the Corporation, the Corporation:

(i) it 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) it 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 into the earth, air or into any body of water or any municipal or other sewer or drain water systems by the Corporation that have not been remedied;

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

(v) it 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, the occurrence of any event which is required to be so reported by any Environmental Law;

(vi) it 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 notifications and conditions of general application to assets of reclamation obligations under the *Environmental Protection and Enhancement Act* (Alberta) and similar legislation in any other jurisdiction in which it conducts its business, the Corporation has not received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any 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 limitations or conditions, revoked, withdrawn or terminated; and

(vii) the Corporation (including, if applicable, any predecessor companies thereof) has not received any notice of, or been prosecuted for an offence alleging, material non-compliance with any Environmental Laws, and the Corporation has not (including, if applicable, any predecessor companies) has settled any allegation of material non-compliance short of prosecution;

(gg) other than this Agreement or as otherwise disclosed in the Responses, there are no material contracts or agreements which contain, create or may create any material obligation to the Corporation or from which they derive or could derive any material benefit or which are required by the Corporation to carry on its business as now conducted by it or as is now proposed to be carried on by it. For the purposes of this representation and warranty, contracts shall be deemed to give rise to a material obligation that provide for expenditures by the Corporation for an aggregate of more than $7,500,000 during any 12 month period;

(hh) except as disclosed in the Responses, the Corporation is not a party to any written contracts of employment which may not be terminated on one month's notice (other than amounts payable at common law) or less or which provide for payments occurring on a change of control of the Corporation;

(ii) except as disclosed in the Responses, the Corporation currently has no Swaps outstanding;

(jj) neither the Corporation nor, to its knowledge, having conducted no inquiry, 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 the Corporation;

(kk) none of the Securities Commissions, the Exchange nor any other securities commission, stock exchange, or similar regulatory authority has issued any order preventing or suspending trading of any securities of the Corporation;

(ll) except as disclosed in the Responses, no insider of the Corporation has a present intention to sell any securities of the Corporation held by it, other than transfers by an insider to affiliates of such insider, or transfers effected for the purposes of estate planning and internal reorganizations of holding companies of the insider;

(mm) the Corporation made available to Sproule, prior to the issuance of the report dated March 11, 2011 and effective December 31, 2010 (the "**Sproule Report**"), for the purpose of preparing such report, all information requested by Sproule, which information did not contain any material misrepresentation at the time such information was so provided. Other than changes arising as a result of changes in commodity prices and production that has occurred since the date of the Sproule Report, the Corporation has no knowledge of a material adverse change in any information provided to Sproule since that date. The Corporation believes that the Sproule Report complies with the requirements of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* and believes that the Sproule Report reasonably presented the quantity and pre-tax present worth values of estimated oil and gas reserves attributable to the properties evaluated therein as at the date stated therein based upon information available at the time the Sproule Report was prepared and the assumptions as to commodity prices and costs contained therein;

(nn) although it does not warrant title, the Corporation does not have reason to believe that the Corporation does not have title to or the irrevocable right 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 does represent and warrant that the Interests are to the best of its knowledge, information and belief, free and clear of adverse claims created by, through or under the Corporation, except as disclosed in the Public Record, related to bank financing or those arising in the ordinary course of business, and, to the knowledge of the Corporation, the Corporation holds its Interests under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements except where the failure to so hold the Interest would not have a material adverse effect upon the Corporation (taken as a whole);

(oo) the Corporation is not aware of any defects, failures or impairments in the title of the Corporation 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 the Corporation shown in the Sproule Report; (B) the current production of the Corporation; or (C) the current cash flow of the Corporation;

(pp) except as otherwise disclosed in writing to the Underwriters, the Corporation is in material compliance with the filing and certification requirements of each of National Instrument 51-102 *Continuous Disclosure Obligations* and National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*;

(qq) the Corporation is eligible to file a short form prospectus under NI 44-101 or the equivalent system in each of the Qualifying Provinces, the Corporation has filed its AIF with the Securities Commissions in each Qualifying Province and the Corporation has not received notice from any Securities Commission in any Qualifying Province that the AIF will be subject to review;

(rr) the Corporation will have the necessary power and authority to execute and deliver the Prospectuses and all necessary action will be taken prior to filing thereof by the Corporation to authorize the execution and delivery by it of the Prospectuses and the filing thereof, as the case may be, in each of the Qualifying Provinces in accordance with the Applicable Securities Laws thereof; and

(ss) the Responses shall be true in all material respects as at the time such responses are given and such Responses taken as a whole shall not omit any fact or information necessary to make any of the responses not misleading in light of the circumstances in which such Responses were made. Where the Responses reflect the opinion or view of the Corporation or its officers (including, Responses or portions of such Responses, which are forward looking or otherwise relate to projections, forecasts or estimates of future performance or results (operating, financial or otherwise)) ("**Forward-looking Statements**"), such opinions or views are subject to the qualifications and provisions set forth in the Responses and will be honestly held and believed to be reasonable at the time they are given; provided however, it shall not constitute a breach of this paragraph solely if the actual results vary or differ from those contained in Forward-looking Statements.

Notwithstanding any provision contained herein, the representations and warranties contained in subsections 5 (e), (l), (p), (t), (v), (y) and (bb) are qualified as to the best of the Corporation's knowledge, after making due inquiries, for periods prior to May 7, 2010.

6. The Corporation further covenants and agrees as follows:

(a) the Corporation shall elect and comply in all material respects with the Prospectus Review Procedures and in connection therewith shall:

(i) not later than 5:00 p.m. (Calgary time) on March 1, 2012 (or such later date as may be agreed to by the Corporation and the Underwriters), prepare and file the Preliminary Prospectus and other documents required under the Applicable Securities Laws of the Qualifying Provinces with the Securities Commissions and designate the ASC as the principal regulator;

(ii) use reasonable commercial efforts to obtain a Preliminary Receipt from the ASC for the Preliminary Prospectus, dated not later than March 1, 2012, evidencing that a receipt has been issued or deemed to be issued for the Preliminary Prospectus in each of the Qualifying Provinces;

(iii) not later than 5:00 p.m. (Calgary time) on March 8, 2012 (or such later date as may be agreed to by the Corporation and the Underwriters), prepare and file the Prospectus and other documents required under the Applicable Securities Laws of the Qualifying Provinces with the Securities Commissions;

(iv) use its reasonable commercial efforts to obtain a Final Receipt from the ASC, dated not later than March 8, 2012, evidencing that a receipt has been issued or deemed to be issued for the Prospectus in each of the Qualifying Provinces;

(v) otherwise fulfill all necessary legal requirements to enable the Offered Shares to be distributed in each of the Qualifying Provinces through the Underwriters or any other investment dealer or broker registered in the applicable Qualifying Province and who complies with the relevant provisions of the Applicable Securities Laws of the Qualifying Provinces;

(vi) until the completion of the distribution of the Offered Shares, promptly take or cause to be taken all additional steps and proceedings that from time to time may be required under the Applicable Securities Laws of the Qualifying Provinces to continue to qualify the Offered Shares for distribution or, in the event that the Offered Shares have, for any reason, ceased to so qualify, to use reasonable commercial efforts to again qualify the Offered Shares for distribution (save and except for a Control Distribution); and

(vii) prior to the filing of the Prospectuses and prior to the filing with any Securities Commissions of any Supplementary Material, have allowed the Underwriters and the Underwriters' counsel to participate fully in the preparation of and to approve the form of such documents (such approval not to be unreasonably withheld or delayed);

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

(i) contemporaneously, as nearly as practicable, with the filing with the Securities Commissions of each of the Preliminary Prospectus and the Prospectus copies of the Preliminary Prospectus and the Prospectus, signed as required by the Applicable Securities Laws of the Qualifying Provinces;

(ii) as soon as they are available, copies of any Supplementary Material, if required, signed as required by the Applicable Securities Laws of the Qualifying Provinces;

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

(iv) comfort letters similar to subparagraph 6(b)(iii) with respect to any Supplementary Material and any other relevant document at the time the same is presented to the Underwriters for their signature or, if the Underwriters' signature is not required, at the time the same is filed. All such letters shall be in form and substance acceptable to the Underwriters and the Underwriters' counsel, acting reasonably;

(v) as soon as possible after the filing of the Prospectuses, without charge, commercial copies of the Prospectuses and any Supplementary Material in such numbers and in such cities as the Underwriters may reasonably request by written instructions to the Corporation, or the printer thereof, given no later than the time when the Corporation authorizes the printing of the commercial copies of such documents; and

(vi) copies of the Preliminary U.S. Private Placement Memorandum and U.S. Private Placement Memorandum;

(c) during the period commencing with the date hereof and ending on the completion of the distribution of the Offered Shares by the Corporation, the Corporation shall allow the Underwriters the opportunity to conduct required due diligence and to obtain, acting reasonably, satisfactory results therefrom and in particular, the Corporation shall allow the Underwriters and Underwriters' counsel to conduct all due diligence which the Underwriters may reasonably require in order to confirm the Public Record is accurate, complete and current in all material respects and to fulfill the Underwriters' obligations as registrants and, in this regard, without limiting the scope of the due diligence inquiries the Underwriters may conduct, the Corporation shall make available its senior management and shall use its reasonable commercial efforts to make available its auditors and its independent engineers to answer any questions which the Underwriters may have and to participate in one or more due diligence sessions to be held prior to the completion of the distribution of the Offered Shares (all of such sessions referred to as the "**Due Diligence Session**"). The Underwriters shall distribute a list of written questions to be answered in advance of such Due Diligence Session and the Corporation shall provide written responses to such questions and shall use its reasonable commercial efforts to have its auditors and independent engineers provide written responses to such questions in advance of the Due Diligence Session;

(d) it will use its reasonable commercial efforts to obtain, prior to the Closing Time, all necessary approvals of the Exchange required for the issuance and listing of the Offered Shares and shall comply with all requirements of the Exchange in connection with the issuance of the Offered Shares on the Exchange including the filing of all necessary documentation in accordance with the requirements of the Exchange;

(e) during the period commencing with the date hereof and ending on the completion of the distribution of the Offered Shares by the Corporation (which in any event shall be no later than the Closing Date), it will promptly provide to the Underwriters, for review by the Underwriters and the Underwriters' counsel, prior to filing or issuance of the same, any proposed public disclosure document, including without limitation, any financial statements of the Corporation, report to shareholders, information circular or any press release or material change report, subject to the Corporation's obligations under Applicable Securities Laws to make timely disclosure of material information, and the Underwriters agree to keep such information confidential until it is disseminated into the marketplace, and any press release issued by the Corporation concerning the Offering shall be marked, at the top of the press release, as follows: "NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES" and also contain the legend prescribed by Rule 135e under the U.S. Securities Act;

(f) during the period commencing with the date hereof and ending on the completion of the distribution of the Offered Shares by the Corporation (which in any event shall be no later than the Closing Date), the Corporation will promptly inform the Underwriters of the full particulars of:

(i) any material change (actual, anticipated or threatened) in the business, operations, capital or condition (financial or otherwise) of the Corporation or its properties or assets;

(ii) any change in any material fact contained or referred to in the Public Record; or

(iii) the occurrence or discovery of a material fact or event, which, in any such case, is, or may be, of such a nature as to: (A) render any portion of the Public Record untrue, false or misleading in any material respect; (B) result in a misrepresentation in the Public Record; or (C) result in the Public Record not complying with the Applicable Securities Laws in a material respect;

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

(g) during the period commencing with the date hereof and ending on the completion of the distribution of the Offered Shares by the Corporation (which in any event shall be no later than the Closing Date), the Corporation will promptly inform the Underwriters of:

(i) any request of the Securities Commissions for any amendment to the Preliminary Prospectus, the Prospectus or any other part of the Public Record or for any additional information;

(ii) the receipt by the Corporation of any communication from any Securities Commission or similar regulatory authority, the Exchange, or any other competent authority relating to any part of the Public Record or the distribution of the Offered Shares; and

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

(h) the Corporation will promptly, and in any event within any applicable time limitation, comply to the reasonable satisfaction of the Underwriters and the Underwriters' counsel, with Applicable Securities Laws with respect to any material change, change, occurrence or event of the nature referred to in subparagraphs 6(f) and 6(g) above and the Corporation will prepare and file promptly at the Underwriters' request, acting reasonably, any amendment to the Prospectuses or Supplementary Material as may be required under Applicable Securities Laws of the Qualifying Provinces; provided that the Corporation shall have allowed the Underwriters and the Underwriters' counsel to participate fully in the preparation of any Supplementary Material and to conduct all due diligence investigations which the Underwriters may reasonably require in order to fulfil their obligations as underwriters and in order to enable the Underwriters to execute the certificate required to be executed by them in, or in connection with, such Supplementary Material;

(i) subject to the duties of directors and officers to act in the best interests of the Corporation, the Corporation shall use its reasonable commercial efforts to maintain its status as a reporting issuer not in default of any material requirement of Applicable Securities Laws in the Qualifying Provinces upon receipt of the Final Prospectus until at least December 31, 2012, provided that the foregoing shall not restrict or prevent the Corporation from completing a plan of arrangement, take-over bid or other business combination which could or may result in the Corporation ceasing to be a reporting issuer in such jurisdiction;

(j) the Corporation will duly, faithfully and punctually perform all the obligations to be performed by it and comply with its covenants and agreements hereunder; and

(k) the Corporation will use the proceeds from the issuance and sale of the Offered Shares for the purpose set forth in the Prospectus.

7. The obligations of the Underwriters hereunder shall be conditional upon the Underwriters receiving at the Closing Time:

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

(i) the Corporation has been duly incorporated, amalgamated or formed, as applicable, and is valid and subsisting under the laws of the Province of Alberta and has all requisite power and capacity to carry on its business as now conducted and as presently proposed to be conducted by it and to own its properties and assets;

(ii) the Corporation is duly registered and qualified to carry on business under the laws of each jurisdiction in which it carries on business;

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

(iv) the execution and delivery of this Agreement and the fulfilment of the terms hereof by the Corporation and the performance of and compliance with the terms of this Agreement by the Corporation do not and will not result in a breach of, or constitute a default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or constitute a default under, any applicable laws of the Province of Alberta which are material to the Corporation or its operations, or any term or provision of the articles, by-laws or, of which counsel is aware, resolutions of the directors or shareholders of the Corporation, or of which counsel is aware, any mortgage, note, indenture, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which it is bound on the Closing Date, or of which counsel is aware, any judgment, decree or order applicable to the Corporation of which counsel is aware, which default or breach might reasonably be expected to materially adversely affect the business, operations, capital or condition (financial or otherwise) of the Corporation or its properties or assets;

(v) the form and terms of the certificates representing the Offered Shares has been approved and adopted by the Corporation and complies with the *Business Corporations Act* (Alberta) and the policies of the Exchange relating thereto;

(vi) the Offered Shares will, when issued and upon the Corporation's receipt of the consideration therefor, be validly issued as fully paid and non-assessable shares of the Corporation;

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

(viii) the Corporation is a "reporting issuer" not on the list of defaulting issuers maintained under Applicable Securities Laws of the Qualifying Provinces, to the extent such lists are available to confirm same;

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

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

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

(xii) the Exchange has conditionally accepted the listing of the Offered Shares, final acceptance of which is subject to the fulfillment of the conditions of the Exchange;

(xiii) Olympia, at its principal office in Calgary, Alberta has been duly appointed as the transfer agent and registrar for the Common Shares;

and additionally, relating to the authorized and issued capital of the Corporation and as to all other legal matters related to the distribution of the Offered Shares as the Underwriters or Underwriters' counsel may reasonably request, including, compliance by the Corporation with Applicable Securities Laws in the Qualifying Provinces with respect to the creation, issuance, sale and delivery of the Offered Shares.

It is understood that counsel may rely on the opinions of local counsel acceptable to them as to matters governed by the laws of jurisdictions other than Alberta and on certificates of officers of the Corporation and Olympia for the Common Shares as to relevant matters of fact;

(b) if any Offered Shares are sold in the United States, a legal opinion of the Corporation's special United States legal counsel, Dorsey & Whitney LLP, addressed to the Underwriters, in form and substance reasonably satisfactory to the Underwriters and the Underwriters' counsel, to the effect that the offer and sale of the Offered Shares in the United States will not be required to be registered under the U.S. Securities Act provided that such offers and sales are made in accordance with Schedule "A" to this Agreement;

(c) a certificate of the Corporation dated the Closing Date, addressed to the Underwriters and signed on the Corporation's behalf by its Chief Executive Officer and Chief Financial Officer with respect to such matters as the Underwriters or Underwriters' counsel may reasonably request and additionally certifying that:

(i) the Corporation has complied with and satisfied all terms and conditions of this Agreement on its part to be complied with or satisfied at or prior to the Closing Time, except as waived by the Underwriters in writing;

(ii) the representations and warranties of the Corporation set forth in this Agreement are true and correct at the Closing Time, as if made at such time (other than for representations and warranties made as of a specified date which shall remain true and correct as of such date) and with respect to the representations and warranties contemplated by Section 5(a), as if the Prospectus was delivered to the Underwriters at the Closing Time; and

(iii) no event of a nature referred to in subparagraph 12(a), (b) or (e) has occurred or to the knowledge of such officers is pending, contemplated or threatened (excluding in the case of subparagraphs 12(b) and (e) the requirement of the Underwriters to make a determination as to whether or not any event or change has, in the Underwriters' opinion had or would have the effect specified therein);

and the Underwriters shall have no knowledge to the contrary;

(d) a comfort letter of the Corporation's auditors, in form and substance satisfactory to the Underwriters and the Underwriters' counsel, acting reasonably, addressed to the Underwriters, bringing forward to a date not more than three Business Days prior to the Closing Date the information contained in the comfort letter set out in paragraph 6(b)(iii);

(e) definitive certificates representing, in the aggregate, all of the Offered Shares issued at the Closing Time registered (subject to paragraph (f)(iii) below) in such name or names as the Underwriters shall notify the Corporation in writing not less than forty-eight (48) hours prior to the Closing Time, provided such certificates registered in such names may, subject to receipt by the Corporation and Olympia of a satisfactory indemnity, be delivered in advance of the Closing Time to the Underwriters or such other parties in such locations as the Underwriters may direct and the Underwriters and the Corporation may agree upon;

(f) subject to clause (iii) below, if the Corporation determines to issue any Offered Shares as book-entry only securities in accordance with the rules and procedures of The Canadian Depository for Securities Limited ("**CDS**"), then, as an alternative or in addition to the Corporation delivering to the Underwriters definitive certificates representing the Offered Shares in the manner and at the times set forth in subparagraph 7(e):

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

(ii) the Corporation shall cause the Underwriters or the Underwriters' Counsel, to deliver to CDS, on behalf of the Underwriters, a fully registered global certificate for the Offered Shares, registered in the name of "CDS & Co." as the nominee of CDS, to be held by CDS as book-entry only securities in accordance with the rules and procedures of CDS; and

(iii) notwithstanding anything to the contrary contained herein, all Offered Shares offered and sold pursuant to Rule 506 of Regulation D under the U.S. Securities Act shall be represented by definitive certificates bearing a legend describing applicable transfer restrictions imposed by the U.S. Securities Act, and none of such Offered Shares shall be issued as book-entry only securities or registered in the name of CDS.

(g) evidence satisfactory to the Underwriters' and to the Underwriters' counsel that all necessary approvals have been obtained for the issuance and listing of the Offered Shares on the Exchange, subject only to the filing of required documents; and

(h) the Corporation shall have provided to the Underwriters such other documents and certificates as the Underwriters may request, acting reasonably, and as are customary in an offering of this nature.

8. The closing of the issue and sale of the Offered Shares shall be completed at the Closing Time at the offices of Corporation's counsel in Calgary, Alberta or at such other place as the Corporation and the Underwriters may agree. Subject to the conditions set forth in paragraph 7, the Underwriters, on the Closing Date, shall deliver to the Corporation:

(a) documentation required by the Exchange or the Securities Commissions and provided by the Corporation to the Underwriters for such purpose;

(b) to the extent applicable, completed U.S. purchaser's letters in the form attached as Exhibit A to the U.S. Private Placement Memorandum; and

(c) by way of wire transfer with receipt confirmed by the Corporation, an amount equal to the gross proceeds from the sale of the Offered Shares, net of the Underwriters' fee payable pursuant to paragraph 9 hereof (or effect payment in such other manner as the Corporation and the Underwriters may agree),

against delivery by the Corporation of the certificates referred to in subparagraph 7(e) or 7(f).

9. In consideration for services of the Underwriters hereunder, the Corporation agrees to pay at the Closing Time by certified cheque or bank draft payable to Canaccord, as lead underwriter, for and on behalf of the Underwriters, a fee equal to 5% of the gross proceeds from the sale of the Offered Shares, which amounts may be netted off the amount paid by wire transfer in respect of the gross proceeds from the sale of the Offered Shares as contemplated herein.

10. Whether or not the transactions contemplated herein shall be completed, all costs and expenses of or incidental to the creation, issuance and distribution of the Offered Shares shall be borne by the Corporation, including, without limitation, the fees and expenses of the Corporation's counsel, the fees and expenses of agent counsel retained by the Corporation's counsel (provided that if agent counsel, other than agent counsel retained by the Corporation's counsel, is retained by the Underwriters' counsel, such retainer shall have received the prior approval of the Corporation or the Corporation's counsel), the fees and expenses of the Corporation's auditors, transfer agents, engineers and other outside consultants, the fees of the Exchange, the reasonable fees and the reasonable disbursements of Underwriters' counsel together with applicable Goods and Services Tax and the reasonable out-of-pocket fees and expenses of the Underwriters.

11. The Underwriters may waive, in whole or in part, any breach of, default under or non-compliance with any representation, warranty, term or condition hereof, or extend the time for compliance therewith, without prejudice to any of their rights in respect of any other representation, warranty, term or condition hereof or any other breach of, default under or non-compliance with any other representation, warranty, term or condition hereof, provided that any such waiver or extension shall be binding on the Underwriters only if the same is in writing.

12. In addition to any other remedies which may be available to the Underwriters, any Underwriter may terminate its obligations hereunder, by written notice to the Corporation, in the event that after the date hereof and at or prior to the Closing Time:

(a) any order to cease or suspend trading in any securities of the Corporation, or prohibiting or restricting the distribution of the Offered Shares, or proceedings are announced or commenced for the making of any such order, by any Securities Commission or similar regulatory authority, or by any other competent authority, and has not been rescinded, revoked or withdrawn;

(b) any inquiry, investigation (whether formal or informal) or other proceeding in relation to the Corporation, or any of its directors or senior officers is announced or commenced by any Securities Commission or similar regulatory authority, or by any other competent authority, or there is any change of law or the interpretation or administration thereof (except for any inquiry, action, suit, investigation or other proceeding or order issued based solely on the activities of the Underwriters or any one of them or the members of the Selling Dealer Group), if, in the opinion of the Underwriters, or any one of them, acting reasonably, the announcement or commencement thereof or change, as the case may be, materially adversely affects the trading or distribution of the Offered Shares or the Common Shares;

(c) there should develop, occur or come into effect or existence any event, action, state, condition or financial occurrence of national or international consequence, acts of hostility or escalation thereof, or any other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, or any governmental action, law, regulation, inquiry or other occurrence of any nature whatsoever or change in the financial markets which in the opinion of the Underwriters, or any one of them, acting reasonably, materially adversely affects or involves, or will materially adversely affect or involve, the financial markets or the business, operations or affairs of the Corporation or the marketability of the Offered Shares;

(d) there should occur any material change, change of a material fact, occurrence or event of the nature referred to in subparagraph 6(f) or any development that could result in a material change or change of a material fact which, in the opinion of the Underwriters, or any one of them, as determined by the Underwriters, or any one of them, in their sole discretion, acting reasonably, could reasonably be expected to have a material adverse effect on the business, operations or affairs of the Corporation or the market price or value or the marketability of the Offered Shares;

(e) the Underwriters, or any one of them, acting reasonably, determine that the Corporation shall be in breach of, default under or non compliance with, in any material respect, any material representation, warranty, term or condition of this Agreement; or

(f) the Underwriters shall become aware, as a result of their due diligence review or otherwise, of any material adverse change with respect to the Corporation (in the sole opinion of the Underwriters, or any one of them, acting reasonably) which had not been publicly disclosed or disclosed to the Underwriters prior to the date hereof and which would have a material adverse effect on the market price or value of the Offered Shares;

in any of which cases, the Underwriter shall be entitled, at its option, to terminate and cancel its obligations to the Corporation under this Agreement by written notice to that effect given to the Corporation. In the event of any such termination pursuant to the provisions of this paragraph 12 by any one of the Underwriters, the other Underwriters shall be deemed contemporaneously to have terminated the obligations under this Agreement unless any such other Underwriter shall, within 24 hours after notice of termination is given, notify the Corporation to the effect that it is assuming the obligations of the Underwriter(s) terminating its obligations. In the event of any such termination, the Corporation's liabilities to the Underwriter(s) who has so terminated shall be at an end except for any liability of the Corporation provided for in this Agreement which by its terms survives termination.

13. The Underwriters may exercise any or all of the rights provided for in paragraphs 7, 11 or 12 notwithstanding any material change, change, event or state of facts and notwithstanding any act or thing taken or done by the Underwriters or any inaction by the Underwriters, whether before or after the occurrence of any material change, change, event or state of facts including, without limitation, any act of the Underwriters related to the offering or continued offering of the Offered Shares for sale and the Underwriters shall only be considered to have waived or be estopped from exercising or relying upon any of their rights under or pursuant to paragraphs 7, 11 or 12 if such waiver or estoppel is in writing and specifically waives or estops such exercise or reliance.

14. Any termination pursuant to the terms of this Agreement shall be effected by written notice delivered to the Corporation, provided that no termination pursuant to the terms of this Agreement shall discharge or otherwise affect any obligation of the Corporation under paragraphs 10 and 16 through 25, inclusive. The rights of the Underwriters to terminate their obligations hereunder are in addition to, and without prejudice to, any other remedies they may have.

15. It is understood that all representations, warranties, terms and conditions herein or contained in certificates or documents submitted pursuant to or in connection with the transactions

contemplated herein shall survive the payment by the Underwriters for the Offered Shares and shall continue in full force and effect for the benefit of the Underwriters regardless of any investigation by, or on behalf of, the Underwriters with respect thereto.

16. The Corporation (the "**Indemnitor**") shall indemnify and save harmless the Underwriters and their affiliates, shareholders, directors, partners, officers, employees, advisors and agents (collectively, the "**Indemnified Parties**") from and against all actual or threatened claims, actions, suits, investigations and proceedings (collectively, "**Proceedings**") and all losses (other than loss of profits), expenses, fees, damages, obligations, payments and liabilities (collectively, "**Liabilities**") (including without limitation all statutory duties and obligations, all amounts paid to settle any action or to satisfy any judgment or award and all legal fees and disbursements actually incurred but, for greater certainty, excluding any Proceedings or Liabilities arising as a result of the subscription, ownership or disposition of the Offered Shares by the Underwriters as principal) which now or any time hereafter are suffered or incurred by reason of any event, act or omission in any way connected, directly or indirectly, with:

(a) any information or statement contained in the Public Record (other than any information or statement relating solely to the Underwriters and furnished to the Corporation by the Underwriters expressly for inclusion in the Public Record), which is or is alleged to be untrue or any omission or alleged omission to provide any information or state any fact the omission of which makes, or is alleged to make, any such information or statement untrue or misleading in light of the circumstances in which it was made;

(b) any misrepresentation or alleged misrepresentation (except a misrepresentation which is based upon information relating to the Underwriters and furnished to the Corporation by the Underwriters expressly for inclusion in the Public Record) contained in the Public Record or any untrue statement of material fact or omission to state a material fact necessary in order to make the statements contained in the U.S. Private Placement Memorandum not misleading, in light of the circumstances under which they were made;

(c) any prohibition or restriction of trading in the securities of the Corporation or any prohibition or restriction affecting the distribution of the Offered Shares imposed by any competent authority if such prohibition or restriction is based on any misrepresentation or alleged misrepresentation of a kind referred to in subparagraph 16(b);

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

(e) the exercise by any subscriber for Offered Shares of any contractual or statutory right of rescission or damages in connection with the purchase of the Offered Shares (other than based on any information or statements relating solely to the Underwriters or based solely upon any act or inaction of the Underwriters); or

(f) any breach of, default under or non-compliance by the Corporation with any representation, warranty, term or condition of this Agreement or any requirement of Applicable Securities Laws;

provided that in the event and to the extent that a court of competent jurisdiction in a final judgment from which no appeal can be made or a regulatory authority in a final ruling from which no appeal can be made shall determine that such Proceedings or Liabilities resulted solely from the negligence, fraud or wilful misconduct of any Indemnified Party, this indemnity shall not apply.

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

17. If any Proceeding is brought, instituted or threatened in respect of any Indemnified Party which may result in a claim for indemnification under this Agreement, such Indemnified Party shall promptly after receiving notice thereof notify the Corporation of the notice of claim, in writing, and the Corporation shall be entitled (but not required) to assume conduct of the defence thereof and retain counsel on behalf of the Indemnified Party who is reasonably satisfactory to the Indemnified Party, to represent the Indemnified Party in such Proceeding and the Corporation shall pay the fees and disbursements of such counsel and all other expenses of the Indemnified Party relating to such Proceeding as incurred. Failure to so notify the Corporation shall not relieve the Corporation from liability except and only to the extent that the failure materially prejudices the Corporation. If the Corporation assumes conduct of the defence for an Indemnified Party, the Indemnified Party shall, except when a conflict of interest as described in subparagraph 18(a) exists and counsel to the Indemnified Party advises the Indemnified Party that such action would be prejudicial to the interests of the Indemnified Party, fully cooperate in the defence including without limitation the provision of documents, appropriate officers and employees to give witness statements, attend examinations for discovery, make affidavits, meet with counsel, testify and divulge all information reasonably required to defend or prosecute the Proceedings.

18. In any such Proceeding the Indemnified Party shall have the right to employ separate counsel and to participate in the defence thereof if:

(a) the Indemnified Party has been advised in writing by counsel that there may be a reasonable legal defence available to the Indemnified Party that is different from or in addition to those available to the Corporation or that a conflict of interest exists which makes representation by counsel chosen by the Corporation not advisable;

(b) the Indemnitor has not assumed the defence of the Proceeding and employed counsel therefor reasonably satisfactory to the Indemnified Party within ten (10) days after receiving notice thereof; or

(c) employment of such other counsel has been authorized by the Corporation in writing;

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

19. No admission of liability and no settlement of any Proceeding shall be made without the written consent of the Indemnified Parties affected, such consent not to be unreasonably withheld. No admission of liability shall be made by an Indemnified Party without the written consent of the Indemnitor, such consent not to be unreasonably withheld, and the Indemnitor shall not be liable for any settlement of any Proceeding made without their written consent, such consent not to be unreasonably withheld.

20. In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Agreement is due in accordance with its terms but is (in whole or in part), for any reason, held by a court to be unavailable from the Corporation on ground of policy or otherwise, each of the Corporation and the party or parties seeking indemnification shall contribute to the aggregate Liabilities (or Proceedings in respect thereof) to which they may be subject or which they may suffer or incur:

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

(b) if the allocation provided by subparagraph (a) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in subparagraph (a) above but also to reflect the relative fault of the party or parties seeking indemnity, on the one hand, and the parties from whom indemnity is sought, on the other hand, in connection with the statement, omission, misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter or thing which resulted in such liabilities, claims, demands, losses, costs, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Corporation, on the one hand, and the Underwriters, on the other hand, shall be deemed to be in the same proportion that the total proceeds of the Offering received by the Corporation (net of fees but before deducting expenses) bear to the fees received by the Underwriters. The relative fault of the Corporation, on the one hand, and of the Underwriters, on the other hand, shall be determined by reference, among other things, to whether the misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter referred to in paragraph 16 hereof relates to information supplied or which ought to have been supplied by, or steps or actions taken or done on behalf of or which ought to have been taken or done on behalf of the Corporation or the Underwriters and the parties' relevant intent, knowledge, access to information and opportunity to correct or prevent such misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter referred to in paragraph 16 hereof.

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

The Corporation agrees that it would not be just and equitable if contributions pursuant to this Agreement were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding paragraphs.

Any liability of the Underwriters under this paragraph 20 shall be limited to the amount of the cash fees paid or payable to the Underwriters pursuant to paragraph 9 hereof.

21. The rights to indemnity and right of contribution provided in the foregoing paragraphs shall be in addition to and not in derogation of any other right to contribution which the Indemnified Parties may have by statute or otherwise at law or in equity. Subject to paragraph 17, the Indemnitor waives all rights of contribution that it may have against any Indemnified Party relating to any Liability in respect of which the Indemnitor has agreed to indemnify the Indemnified Parties hereunder.

22. It is the intention of the Corporation to constitute the Underwriters as trustee for the Indemnified Parties for the purposes of paragraphs 16 to 21 inclusive and the Underwriters shall be entitled, as trustee, to enforce such covenants on behalf of any other Indemnified Parties.

23. If any Proceeding is brought in connection with the transactions contemplated by this Agreement and the Underwriters are required to testify in connection therewith or are required to respond to procedures designed to discover information relating thereto, the Corporation shall pay to the Underwriters reasonable fees at the normal per diem rate for its directors, officers, partners, employees, agents and advisors involved in preparation for and attendance at such Proceeding or in so responding, provided that such Proceeding is not caused solely by or the result of the negligence, fraud or willful misconduct of an Indemnified Party. In such event, any other reasonable costs and out-of-pocket expenses incurred by it in connection therewith will be paid by the Corporation as they are incurred.

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

25. Any notice or other communication to be given hereunder shall, in the case of notice to be given to the Corporation, be addressed to the Corporation at the above address (Fax No.: (403) 817-2599) and a copy to Burnet, Duckworth & Palmer LLP, Suite 2400, 525 – 8th Avenue S.W., Calgary, Alberta, T2P 1G1, Attention: Jay Reid (Fax No.: (403) 260-0332), and, in the case of notice to be given to the Underwriters, be addressed to:

Canaccord Genuity Corp.
Suite 2200, 450 – 1st S.W.
Calgary, Alberta T2P 5P8
Attention: **Tony Loria**
Fax No.: (403) 508-3866

GMP Securities L.P.
Suite 1600, 500 – 4th Avenue S.W.
Calgary, Alberta T2P 2V6
Attention: **Christopher T. Graham**
Fax No.: (403) 543-3589

Cormark Securities Inc.
1800, 300 – 5th Avenue S.W.
Calgary, Alberta T2P 3C4
Attention: **Dion Degrand**
Fax No.: (403) 266-4222

Scotia Capital Inc.
1800, 700 – 2nd Street S.W.
Calgary, Alberta T2P 2W1
Attention: **Rick Eremenko**
Fax No.: (403) 269-8355

Peters & Co. Limited
2300 Jamison Place, 308 – 4th Avenue S.W.
Calgary, Alberta T2P 0H7
Attention: **Michael R. Hayward**
Fax No.: (403) 261-7565

Paradigm Capital Inc.
500, 110 – 9th Avenue S.W.
Calgary, Alberta T2P 0T1
Attention: **Kevin J. Smith**
Fax No.: (403) 265-8721

Desjardins Securities Inc.
410, 110 – 9th Avenue S.W.
Calgary, Alberta T2P 0T1
Attention: **Alex Shegelman**
Fax No.: (403) 532-6641

Dundee Securities Ltd.
3250, 350 – 7th Avenue S.W.
Calgary, Alberta T2P 3N9
Attention: **David Vankka**
Fax No.: (403) 264-6331

with a copy to:

McCarthy Tétrault LLP
Suite 3300, 421-7th Avenue S.W.
Calgary, Alberta T2P 4K9
Attention: **Sony Gill**
Fax No.: (403) 260-3501

Any such notice or other communication shall be in writing and may be given by telefax or delivery, and shall be deemed to have been given six (6) hours after being telefaxed, if such notice or other communication is telefaxed on a Business Day, and otherwise twelve (12) hours after 12:01 a.m. (Calgary time) commencing on the next succeeding Business Day after being telefaxed, or upon receipt by a responsible officer of the addressee if delivered.

26. The Corporation agrees that, from the date hereof until 90 days following the Closing Date, that it shall not offer, or announce the offering of, or make or announce any agreement to issue, sell, or exchange Common Shares or securities convertible or exchangeable into Common Shares without the prior written consent of Canaccord, as lead underwriter, for and on behalf of the Underwriters, which consent shall not be unreasonably withheld, provided that notwithstanding the foregoing, the Corporation may issue Common Shares to the holders of stock options existing at the date hereof as well as grant stock options and issue Common Shares pursuant to the exercise of options issued after the date hereof to officers, directors, employees and consultants of the Corporation pursuant to board approved option incentive programs or to satisfy existing instruments and agreements already issued and executed as of the date hereof.

27. The Underwriters' obligations under this Agreement are separate and not joint and several in that:

(a) each of the Underwriters shall be obligated to purchase only the percentage of the total number of Offered Shares set opposite their names set forth in this paragraph 27; and

(b) if any of the Underwriters has not purchased its applicable percentage of the total number of Offered Shares and the others shall be willing to purchase their own applicable percentage of the total number of Offered Shares ("**defaulting Underwriter**") and such failure shall constitute a default in its obligations under this Agreement, the other Underwriters shall each be obligated severally to purchase the Offered Shares which would otherwise have been purchased by the defaulting Underwriter(s) in the proportion that the percentage set forth opposite the names of such Underwriter bears to the aggregate of the percentages of the non-defaulting Underwriters; provided that notwithstanding the foregoing, if the total number of Offered Shares which would otherwise have been purchased by the defaulting Underwriters exceeds 4% of the total number of Offered Shares, each of the other Underwriters shall be entitled, by notice to the Corporation, to terminate, without liability, its obligations to purchase Offered Shares which would otherwise have been purchased by the defaulting Underwriter(s). In any such case, either the non-defaulting Underwriters or the Corporation shall have the right to postpone the Closing Time for such period, not exceeding five Business Days, in order that the required changes, if any, may be affected.

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

Canaccord Genuity Corp.	40.0%
GMP Securities L.P.	20.0%
Cormark Securities Inc.	18.0%
Scotia Capital Inc.	9.0%
Peters & Co. Limited	5.0%
Paradigm Capital Inc.	4.0%
Desjardins Securities Inc.	2.0%
Dundee Securities Ltd.	2.0%

Nothing in this Agreement shall obligate the Corporation to sell less than all of the Offered Shares or shall relieve any Underwriter in default from liability to the Corporation or any non-defaulting Underwriter in respect of the defaulting Underwriter's default hereunder. In the event of a termination by the Corporation of its obligations under this Agreement there shall be no further liability on the part of the Corporation to the Underwriters except in respect of any liability which may have arisen or may thereafter arise under Sections 10, 16 to 21 inclusive or 23.

28. In connection with the distribution of the Offered Shares, the Underwriters and members of their Selling Dealer Group (if any) may over-allot or effect transactions which stabilize or maintain the market price of the Offered Shares at levels above those which might otherwise prevail in the open market, in compliance with Applicable Securities Laws. Those stabilizing transactions, if any, may be discontinued at any time.

29. The Corporation and the Underwriters agree to comply with the provisions of Schedule "A" hereto, "Terms and Conditions for United States Offers and Sales", which provisions are incorporated herein and form a part of this Agreement.

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

31. In addition, the Corporation hereby acknowledges that (i) the purchase and sale of the Offered Shares pursuant to this Agreement is an arm's-length commercial transaction between the Corporation, on the one hand, and each of the Underwriters and any affiliate through which it may be acting, on the other, (ii) each of the Underwriters is acting as principal and not as an agent or fiduciary of the Corporation, and (iii) the Corporation's engagement of each of the Underwriters in connection with the Offered Shares and the process leading up to the Offering is as independent contractors and not in any other capacity. Furthermore, the Corporation agrees that it is solely responsible for making its own judgments in connection with the Offering (irrespective of whether any of the Underwriters has advised or is currently advising the Corporation on related or other matters). The Corporation agrees that it will not claim that the Underwriters have rendered advisory services of any nature or respect, or owes an agency, fiduciary or similar duty to the Corporation, in connection with such transaction or the process leading thereto.

32. The Corporation shall be entitled to and shall act on any notice, waiver, extension or communication given by or on behalf of the Underwriters by Canaccord, which shall represent the Underwriters and which will have the authority to bind the Underwriters in respect of all matters hereunder, except in respect of any settlement under paragraphs 16 or 20, or any matter referred to in paragraph 12 or 27.

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

34. This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein and the parties hereto hereby attorn to the jurisdiction of the courts of the Province of Alberta and all courts of appeal therefrom.

35. Time shall be of the essence of this Agreement.

36. This Agreement may be executed in one or more counterparts and delivered by means of facsimile or other electronic means, each of which so executed shall constitute an original and all of which together shall constitute one and the same agreement.

37. This Agreement represents the entire agreement of the parties hereto relating to the subject matter hereof and there are no representations, warranties, covenants or other agreements relating to the subject matter hereof except as stated or referred to herein. It is understood that the terms and conditions of this Agreement supersede any previous verbal or written agreement between the Underwriters and the Corporation in respect of the offer for sale by the Corporation of Offered Shares, including in particular the letter agreement dated February 23, 2012, as amended in the amending agreement dated February 24, 2012.

[The remainder of this page has been intentionally left blank.]

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

CANACCORD GENUITY CORP.

Per: (signed) "*Tony Loria*"

GMP SECURITIES L.P.

Per: (signed) "*Christopher T. Graham*"

CORMARK SECURITIES INC.

Per: (signed) "*Dion Degrand*"

SCOTIA CAPITAL INC.

Per: (signed) "*Rick Eremenko*"

PETERS & CO. LIMITED

Per: (signed) "*Michael R. Hayward*"

PARADIGM CAPITAL INC.

Per: (signed) "*Kevin J. Smith*"

DESJARDINS SECURITIES INC.

Per: (signed) "*Alex Shegelman*"

DUNDEE SECURITIES LTD.

Per: (signed) "*David Vankka*"

ACCEPTED AND AGREED to effective as of the date of this Agreement.

PINECREST ENERGY INC.

Per: (signed) "*Dan Toews*"

SCHEDULE "A"

TERMS AND CONDITIONS FOR UNITED STATES OFFERS AND SALES

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

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

"**Foreign Issuer**" means a foreign issuer as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule, it means any issuer that is (1) the government of any country, or of any political subdivision of a country, other than the United States; or (2) a corporation or other organization incorporated under the laws of any country other than the United States, except an issuer meeting the following conditions as of the last business day of its most recently completed second fiscal quarter: (a) more than 50 percent of the outstanding voting securities of such issuer are directly or indirectly owned of record by residents of the United States; and (b) any of the following: (i) the majority of the executive officers or directors are United States citizens or residents, (ii) more than 50 percent of the assets of the issuer are located in the United States, or (iii) the business of the issuer is administered principally in the United States;

"**Institutional Accredited Investor**" means those institutional "accredited investors" as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D;

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

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

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

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

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

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

"**U.S. Affiliate**" of any Underwriter means a U.S. registered broker-dealer affiliate of such Underwriter;

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

"**United States**" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia.

Representations, Warranties and Covenants of the Underwriters

Each Underwriter represents, warrants, covenants and agrees to and with the Corporation that:

1. It acknowledges that the Offered Shares have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and may not be offered or sold within the United States, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and all applicable U.S. state securities laws. None of it, its U.S. Affiliates and any member of the Selling Dealer Group, has offered or sold, or will offer or sell, any Offered Shares forming part of its allotment except (a) in an "offshore transaction" (as such term is defined in Regulation S) in accordance with Rule 903 of Regulation S, or (b) (i) for offers and sales in the United States to Qualified Institutional Buyers in accordance with Rule 144A, or (ii) for offers of Offered Shares made through a U.S. Affiliate for sale directly by the Corporation in accordance with the exemption from the registration requirements of the U.S. Securities Act provided by Rule 506 of Regulation D, as provided in this Schedule. Neither the Underwriter, nor any of its affiliates or any member of the Selling Dealer Group, nor any person acting on its or their behalf, has made or will make any Directed Selling Efforts in the United States with respect to the Offered Shares.

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

3. All offers and sales (other than sales made directly by the Corporation to Substitute Purchasers) of Offered Shares in the United States shall be made through the Underwriters' U.S. Affiliate in compliance with all applicable U.S. broker-dealer requirements. Such U.S. Affiliate is a Qualified Institutional Buyer, is, and at the time of each offer and sale made by it was and will be (i) a duly registered broker-dealer with the SEC under the U.S. Exchange Act and under the laws of all applicable states (unless exempt from such states' broker-dealer registration requirements), and (ii) a member of, and in good standing with, the Financial Industry Regulatory Authority, Inc.

4. Offers and sales of Offered Shares in the United States by the Underwriter, acting through its U.S. Affiliate, have not been and shall not be made by any form of "general solicitation" or "general advertising" (as those terms are used in Regulation D) or in any manner involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act.

5. Offers to sell and solicitations of offers to buy the Offered Shares in the United States have been and shall be made only in accordance with: (a) Rule 144A only to Qualified Institutional Buyers and in compliance with applicable state securities laws of the United States, and such persons shall each be deemed to have represented and agreed as provided in the U.S. Private Placement Memorandum; or (b) Rule 506 of Regulation D under the U.S. Securities Act, only to Institutional Accredited Investors and in compliance with applicable state securities laws of the United States, and such persons shall each be required to execute and deliver, prior to purchasing

any Offered Shares, to the Corporation, the Underwriters and their U.S. Affiliates, as agents, a U.S. Purchaser's Letter in the form attached as Exhibit A to the U.S. Private Placement Memorandum.

6. All purchasers of the Offered Shares in the United States purchasing Offered Shares pursuant to Rule 144A shall be informed by the Underwriter, through its U.S. Affiliate, that the Offered Shares have not been and will not be registered under the U.S. Securities Act and are being offered and sold to such purchasers in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A thereunder.

7. Each offeree in the United States has been or shall be provided by the Underwriter, through its U.S. Affiliate, with the Preliminary U.S. Private Placement Memorandum or the U.S. Private Placement Memorandum, and each purchaser of Offered Shares (i) in the United States, or (ii) that was offered Offered Shares in the United States, shall be provided by the Underwriter, acting through its U.S. Affiliate, prior to purchase by such purchaser of any Offered Shares, with the U.S. Private Placement Memorandum, and the Underwriters have not used and will not use any other written materials in connection with the offer and sale of the Offered Shares.

8. Any offer, sale or solicitation of an offer to buy Offered Shares that has been made or will be made in the United States was or will be made only to Qualified Institutional Buyers or Institutional Accredited Investors in transactions that are exempt from registration under applicable state securities laws. Immediately prior to making any offer, it had and shall have reasonable grounds to believe and did and shall believe that each offeree was a Qualified Institutional Buyer or an Institutional Accredited Investor, as applicable, and, on the date hereof, it continues to believe, and on the Closing Date it shall continue to believe, that each purchaser in the United States and each purchaser that was offered Offered Shares in the United States is a Qualified Institutional Buyer or an Institutional Accredited Investor, as applicable.

9. None of the Underwriter, its affiliates and any member of the Selling Dealer Group has taken or will take any action that would constitute a violation of Regulation M under the U.S. Exchange Act.

10. At closing, each Underwriter, together with its U.S. Affiliate that has offered or sold Offered Shares in the United States, shall provide a certificate, substantially in the form of Exhibit A to this Schedule, relating to the manner of the offer and sale of the Offered Shares in the United States, or will be deemed to have represented that neither it nor its U.S. Affiliate offered or sold Offered Shares in the United States.

Representations, Warranties and Covenants of the Corporation

The Corporation represents, warrants, covenants and agrees that:

11. (a) The Corporation is a Foreign Issuer and reasonably believes that there is no Substantial U.S. Market Interest in the Common Shares; (b) the Corporation is not now and as a result of the sale of Offered Shares contemplated hereby will not be registered or required to be registered as an "investment company" under the United States Investment Company Act of 1940, as amended; (c) none of the Corporation, any of its affiliates, or any person acting on its or their behalf (other than the Underwriters, their affiliates, any member of the Selling Dealer Group and any person acting on their behalf, as to which the Corporation makes no representation, warrant, covenant or agreement) has made or will make any Directed Selling Efforts in the United States; (d) none of the Corporation, any of its affiliates, or any person acting on its or their behalf (other than the

Underwriters, their affiliates, any member of the Selling Dealer Group and any person acting on their behalf, as to which the Corporation makes no representation, warrant, covenant or agreement) has engaged or will engage in any form of “general solicitation” or “general advertising” (as those terms are used in Regulation D) or in any manner involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act in connection with the offer or sale of the Offered Shares in the United States; (e) none of the Corporation, any of its affiliates, or any person acting on its or their behalf (other than the Underwriters, their affiliates, any member of the Selling Dealer Group and any person acting on their behalf, as to which the Corporation makes no representation, warrant, covenant or agreement) has taken or will take any action that would cause the applicable exemptions from the registration requirements of the U.S. Securities Act or the exclusion from the registration requirements of the U.S. Securities Act provided by Rule 903 of Regulation S to be unavailable for offers and sales of Offered Shares pursuant to the Underwriting Agreement to which this Schedule is annexed; (f) the Offered Shares are not, and as of the Closing Time will not be, and no securities of the same class as the Offered Shares are or will be, (i) listed on a national securities exchange in the United States registered under Section 6 of the U.S. Exchange Act, (ii) quoted in a “U.S. automated inter dealer quotation system”, as such term is used in Rule 144A, or (iii) convertible or exchangeable at an effective conversion or exercise premium (calculated as specified in paragraph (a)(6) and (a)(7) of Rule 144A) of less than ten percent for securities so listed or quoted; (g) in connection with offers and sales of the Offered Shares outside the United States, the Corporation, its affiliates and any person acting on its or their behalf (other than the Underwriters, their affiliates, any member of the Selling Dealer Group and any person acting on their behalf, as to which the Corporation makes no representation, warrant, covenant or agreement) have complied and will comply with the requirements for an “offshore transaction” (as that term is defined in Regulation S); and (h) the Corporation warrants and agrees that it will notify Olympia Trust Company as soon as practicable upon it becoming a “domestic issuer” (as that term is used in Regulation S).

12. Except for offers made through a U.S. Affiliate of an Underwriter and sales of Offered Shares made directly by the Corporation to Substitute Purchasers in transactions in accordance with Rule 506 of Regulation D, all in accordance with this Schedule “A”, none of the Corporation, any of its affiliates, or any person acting on its or their behalf (other than the Underwriters, their affiliates, any member of the Selling Dealer Group and any person acting on their behalf, as to which the Corporation makes no representation, warrant, covenant or agreement, has made or will make any offer to sell, or any solicitation of an offer to buy, any Offered Shares to a person in the United States.

13. For so long as any of the Offered Shares are outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act and not eligible for resale pursuant to Rule 144(b)(1) under the U.S. Securities Act, at any time when the Corporation is neither subject to and in compliance with the reporting requirements of Section 13 or Section 15(d) of the U.S. Exchange Act nor exempt from such reporting requirements pursuant to Rule 12g3-2(b) thereunder, the Corporation will provide to any holder of such Offered Shares, or to any prospective purchaser of such Offered Shares designated by such holder, upon the request of such holder or prospective purchaser, at or prior to the time of resale, the information required to be provided by Rule 144A(d)(4), for so long as the provision of such information is required to permit resales of such Offered Shares pursuant to Rule 144A.

14. The Corporation has not, within six months before the commencement of this Offering, offered or sold, or solicited any offer to buy, any securities of the Corporation in a manner that would be integrated with the offer and sale of the Offered Shares and would cause the applicable

exemptions from registration under the U.S. Securities Act to become unavailable with respect to the offer and sale of the Offered Shares in the United States.

15. None of the Corporation, its affiliates or any person acting on its or their behalf (other than the Underwriters, their affiliates, any member of the Selling Dealer Group and any person acting on their behalf, as to which the Corporation makes no representation, warranty, covenant or agreement) has taken or will take any action that would constitute a violation of Regulation M under the U.S. Exchange Act.

EXHIBIT A

UNDERWRITERS' CERTIFICATE

In connection with the private placement in the United States of the common shares (the "**Securities**") of Pinecrest Energy Inc. (the "**Corporation**") pursuant to the Underwriting Agreement dated effective as of February 23, 2012 among the Corporation and the Underwriters named therein (the "**Underwriting Agreement**"), each of the undersigned does hereby certify as follows:

(a) **[US affiliate name]** is on the date hereof, and was at the time of each offer and sale of Securities made by it, a duly registered broker or dealer with the United States Securities and Exchange Commission under the U.S. Exchange Act and under the laws of all applicable states (unless exempt from such states' broker-dealer registration requirements) and a member of, and in good standing with, the Financial Industry Regulatory Authority, Inc., and all offers and sales (other than sales of Securities directly by the Corporation to Substitute Purchasers) of the Securities in the United States have been effected by **[US affiliate name]** in accordance with all U.S. broker-dealer requirements;

(b) each offeree was provided with a copy of the Preliminary U.S. Private Placement Memorandum or the U.S. Private Placement Memorandum for the offering of the Offered Shares in the United States, and no other written material has been used by us in connection with the offer and sale of the Offered Shares;

(c) immediately prior to our transmitting such Preliminary U.S. Private Placement Memorandum or U.S. Private Placement Memorandum to such offerees, we had reasonable grounds to believe and (a) did believe that the offeree was a Qualified Institutional Buyer and, on the date hereof, we continue to believe that each such person that is purchasing Offered Shares from us and is in the United States or was offered Offered Shares in the United States is a Qualified Institutional Buyer, or (b) did believe that the offeree was an Institutional Accredited Investor and, on the date hereof, we continue to believe that each such person that is purchasing Offered Shares directly from the Corporation as a Substitute Purchaser and is in the United States or was offered Offered Shares in the United States is an Institutional Accredited Investor, and prior to any sale to an Institutional Accredited Investor we obtained from the offeree an executed U.S. Purchaser's Letter in the form attached as Exhibit A to the U.S. Private Placement Memorandum;

(d) no form of "general solicitation" or "general advertising" (as those terms are used in Regulation D under the U.S. Securities Act) was used by us, including, without limitation, advertisements, articles, notices or other communications published on the internet or in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising, in connection with the offer or sale of the Offered Shares in the United States;

(e) the offering of the Offered Shares in the United States has been conducted by us in accordance with the terms of the Underwriting Agreement, including Schedule "A" hereto; and

(f) neither we nor any member of the Selling Dealer Group (as defined in Schedule "A" to the Underwriting Agreement), nor any of our or their affiliates, have taken or will take any action that would constitute a violation of Regulation M under the U.S. Exchange Act.

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

Dated this ● day of ●, 2012.

[UNDERWRITER]

By: ________________________________
Name:
Title:

[US AFFILIATE]

By: ________________________________
Name:
Title: