COMPASS PETROLEUM LTD.

- and -

COMPASS ACQUISITION CORP.

- and -

SUN RED CAPITAL CORPORATION

AMALGAMATION AGREEMENT

FEBRUARY 26, 2010

TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS AND INTERPRETATION **2**

1.1 Definitions 2
1.2 Currency 7
1.3 Interpretation Not Affected By Headings 7
1.4 Number and Gender 7
1.5 Date for Any Action 8
1.6 Statutes 8
1.7 Knowledge 8
1.8 Inclusive Terminology 8
1.9 Accounting Matters 8

ARTICLE 2 THE AMALGAMATION **8**

2.1 Amalgamation 8
2.2 Notice of Meeting 8
2.3 Preparation of Filings 9
2.4 Filing of Articles of Amalgamation 9
2.5 Effect of the Amalgamation 9
2.6 Amalgamated Corporation 10
2.7 Assets and Liabilities 12
2.8 Stated Capital 12
2.9 Tax Withholdings 12

ARTICLE 3 RIGHTS OF DISSENT **13**

3.1 Sun Red Dissent Rights 13

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF SUN RED **13**

4.1 Organization and Standing 13
4.2 Capitalization of Sun Red 13
4.3 Authority and No Violation 14
4.4 Consents, Approvals 15
4.5 Financial Statements 16
4.6 Liabilities and Indebtedness 16
4.7 Litigation, Etc. 17
4.8 Insurance 17
4.9 Absence of Certain Changes or Events 17
4.10 Tax 18
4.11 Employment Matters, Etc. 19
4.12 Corporate Records 20
4.13 Compliance with Laws 20
4.14 Restrictions on Business Activities 20
4.15 Brokerage and Finders' Fees 20
4.16 Solvency of Sun Red 20
4.17 Issuer Status 20
4.18 Creditors of Sun Red 21
4.19 Non Arm's-Length Contracts 21
4.20 No Guarantees or Indemnities 21
4.21 No Loans 21
4.22 Auditor Recommendations 21
4.23 Encumbrances and Title 21
4.24 Public Record 21
4.25 Sun Red Information 22
4.26 Survival of Representations and Warranties 22

ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF COMPASS 22

5.1 Organization and Standing 22
5.2 Capitalization of Compass 22
5.3 Authority and No Violation 23
5.4 Consents, Approvals 24
5.5 Financial Statements, Reports 25
5.6 Liabilities and Indebtedness 25
5.7 Litigation, Etc. 25
5.8 Insurance 26
5.9 Absence of Certain Changes or Events 26
5.10 Tax 26
5.11 Corporate Records 28
5.12 Compliance with Laws 28
5.13 Restrictions on Business Activities 28
5.14 Issuer Status 28
5.15 No Guarantees or Indemnities 28
5.16 No Loans 28
5.17 Auditor Recommendations 29
5.18 Encumbrances and Title 29
5.19 Sproule Report 29
5.20 Compass Information 29
5.21 Survival of Representations and Warranties 30

ARTICLE 6 REPRESENTATIONS AND WARRANTIES OF COMPASS IN RELATION TO NEWCO 30

6.1 Organization and Standing 30
6.2 Capitalization of Newco 30
6.3 Authority and No Violation 31
6.4 Consents, Approvals 32
6.5 Litigation, Etc. 32
6.6 Corporate Records 32
6.7 Compliance with Laws 33
6.8 Restrictions on Business Activities 33
6.9 Solvency of Newco 33
6.10 Creditors of Newco 33
6.11 No Guarantees or Indemnities 33
6.12 No Loans 33
6.13 Restrictions on Business 33
6.14 Survival of Representations and Warranties 34

ARTICLE 7 COVENANTS AND AGREEMENTS 34

7.1 Mutual Covenants 34
7.2 Other Covenants 38
7.3 Recommendation of the Sun Red Board of Directors 41
7.4 Sun Red Covenant Regarding Non-Solicitation 41
7.5 Notice of Superior Proposal Determination 43
7.6 Access to Information 44
7.7 Closing Matters 44

ARTICLE 8 CONDITIONS 45

8.1 Mutual Conditions Precedent 45
8.2 Additional Conditions Precedent to the Obligations of Sun Red 46
8.3 Additional Conditions Precedent to the Obligations of Compass 47
8.4 Merger of Conditions 50

ARTICLE 9 LEGAL FEES AND OTHER FEES AND EXPENSES 50

9.1 General 50
9.2 Expense Fees 50
9.3 Liquidated Damages 50

ARTICLE 10 AMENDMENT AND TERMINATION 51

10.1 Amendment 51
10.2 Termination 51
10.3 Effect of Termination 53

ARTICLE 11 GENERAL 53

11.1 Investigation 53
11.2 Notices 53
11.3 Addresses 53
11.4 Assignment 54
11.5 Binding Effect 54
11.6 Third Party Beneficiaries 54
11.7 Waiver and Modification 55
11.8 No Personal Liability 55
11.9 Further Assurances 55
11.10 Public Announcements, Etc. 56
11.11 Governing Law; Consent to Jurisdiction 56
11.12 Entire Agreement 56
11.13 Time of Essence 56
11.14 Severability 56
11.15 Counterparts 57

AMALGAMATION AGREEMENT

THIS AMALGAMATION AGREEMENT is made as of the 26th day of February, 2010;

BETWEEN:

COMPASS PETROLEUM LTD., a body corporate incorporated under the laws of the Province of Alberta and having an office in the City of Calgary, Alberta ("**Compass**")

- and -

COMPASS ACQUISITION CORP., a body corporate incorporated under the laws of the Province of Alberta and having an office in the City of Calgary, Alberta ("**Newco**")

- and -

SUN RED CAPITAL CORPORATION, a body corporate incorporated under the laws of the Province of Alberta and having an office in the City of Calgary, Alberta ("**Sun Red**")

Background:

(a) Compass, Newco and Sun Red wish to undertake a business combination in accordance with the terms and subject to the conditions set out in this Agreement;

(b) Newco is a newly incorporated, wholly-owned subsidiary of Compass and has not carried on any business to the date hereof; and

(c) Compass, Newco and Sun Red wish to effect the foregoing business combination through the amalgamation of Newco with Sun Red, such that the amalgamated corporation will be a wholly-owned subsidiary of Compass and the existing shareholders of Sun Red will become shareholders of Compass;

NOW THEREFORE in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereto agree as follows.

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

Whenever used in this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the indicated meanings and grammatical variations of such words and terms will have corresponding meanings:

(a) "**ABCA**" means the *Business Corporations Act* (Alberta), as in effect on the date hereof;

(b) "**Acquisition Proposal**" means any *bona fide* proposal with respect to: (i) any merger, amalgamation, arrangement, share exchange, take-over bid, tender offer, recapitalization, consolidation or business combination involving Sun Red; (ii) any acquisition by any Person of assets representing more than 20% of the book value of the assets of Sun Red in a single transaction or a series of related transactions; (iii) any acquisition by any Person of beneficial ownership of more than 20% of the Sun Red Shares or other securities of Sun Red then outstanding; and (iv) any acquisition by Sun Red of a material amount or portion of the assets or securities of another Person in a single transaction or a series of related transactions, or any similar transaction involving Sun Red, and includes any proposal by Sun Red to do any of the foregoing and any public announcement by Sun Red of its intention to do any of the foregoing, excluding the transactions contemplated by this Agreement;

(c) "**Agreement**" means this amalgamation agreement, including the recitals hereto;

(d) "**Amalco**" means the continuing corporation formed as a result of the Amalgamation;

(e) "**Amalco Shares**" means common shares in the capital of Amalco;

(f) "**Amalgamation**" means the amalgamation of Newco and Sun Red pursuant to the ABCA as provided for in this Agreement;

(g) "**Articles of Amalgamation**" means articles of amalgamation in respect of the Amalgamation, in the form required by the ABCA;

(h) "**Business Day**" means a day on which commercial banks are generally open for business in Calgary, Alberta, other than a Saturday, a Sunday or a day observed as a holiday in Calgary, Alberta;

(i) "**Circular**" means the management proxy circular of Sun Red to be mailed to the Sun Red Shareholders in connection with the solicitation by Sun Red of proxies to be used at the Meeting;

(j) "**Closing Date**" has the meaning ascribed thereto in **Section 7.7(a)**;

(k) "**Compass Confidentiality Agreement**" means the confidentiality agreement dated February 25, 2010, between Compass, certain of its affiliates and Sun Red, which provides for Compass to make certain confidential information available to Sun Red and which imposes on Sun Red confidentiality obligations and restrictions on the use of such confidential information;

(l) "**Compass Convertible Notes**" means the $10,920,000 aggregate principal amount of convertible notes distributed by Compass in September 2009;

(m) "**Compass Options**" means the outstanding options to purchase up to an aggregate of 1,170,000 Compass Shares, granted to directors, officers, employees and consultants of Compass;

(n) "**Compass Shares**" means common shares in the capital of Compass;

(o) "**Compass Warrants**" means the outstanding warrants to purchase up to an aggregate of 1,675,000 Compass Shares;

(p) "**Constating Documents**" means, as applicable, the articles, by-laws and other constating documents of a body corporate;

(q) "**Depositary**" means the duly appointed depositary in respect of the Amalgamation, at its principal transfer office in Calgary, Alberta;

(r) "**Disclosure Letter**" means the disclosure letter dated the date hereof from Sun Red to Compass;

(s) "**Dissent Rights**" has the meaning ascribed thereto in **Section 3.1(a)**;

(t) "**Dissenting Shareholder**" means a holder of Sun Red Shares who dissents in respect of the Sun Red Amalgamation Resolution in compliance with the Dissent Rights;

(u) "**Effective Date**" means the date shown on the certificate of amalgamation issued by the Registrar pursuant to the ABCA in respect of the Amalgamation;

(v) "**Effective Time**" means 12:01 a.m. (Calgary time) on the Effective Date;

(w) "**Encumbrance**" includes a lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest, adverse claim, exception, reservation, easement, right of occupation, any interest capable of registration against title, option, right of pre-emption or privilege and any agreement to create any of the foregoing;

(x) "**Governmental Entity**" includes any:

(i) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign;

(ii) subdivision, agent, commission, board, or authority of any of the foregoing; or

(iii) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under, or for the account of, any of the foregoing;

(y) "**holders**" means, when used with reference to the Sun Red Shares, the Newco Shares or the Compass Shares, the holders of such Sun Red Shares, Newco Shares or Compass Shares, as applicable, shown from time to time in the applicable share register maintained by or on behalf of Sun Red, Newco or Compass;

(z) "**Laws**" means all statutes, regulations, statutory rules, orders, judgments, decrees and terms and conditions of any grant of approval, permission, authority, permit or license of any Governmental Entity;

(aa) "**Letters of Transmittal**" means the letters of transmittal to be forwarded by Compass to the Sun Red Shareholders, which are to be used to exchange certificates representing Sun Red Shares for Compass Shares in connection with the Amalgamation;

(bb) "**Material Adverse Effect**", when used in relation to Compass or Sun Red, means any change, effect, event or occurrence that is, or would be reasonably expected to be, materially adverse with respect to the condition (financial or otherwise), properties, assets, liabilities, obligations (whether absolute, accrued, conditional or otherwise), business, prospects, operations or results of operations of Compass and its Subsidiaries (taken as a whole) or Sun Red, as applicable, provided that a Material Adverse Effect shall not include an adverse effect: (i) that relates to or arises out of a matter that has been disclosed in writing to Compass or Sun Red, as applicable, by the other prior to the date hereof (including in the Disclosure Letter); (ii) that relates to or arises out of conditions affecting the western Canadian oil and gas industry as a whole; (iii) that relates to or arises out of general economic, financial, currency exchange, securities or commodity market conditions in Canada or elsewhere; (iv) that relates to or arises out of any change in the market price of crude oil, natural gas or related hydrocarbons; (v) that arises out of any action taken by Compass or Sun Red, as the case may be, with the approval, consent or authority of the other (including actions permitted by this Agreement); or (vi) that relates in any way to the results of any well commenced or completed by Compass after the date hereof (it being the intention of the Parties that a determination that any one or more wells commenced or completed after the date hereof is not capable of commercial production of oil or natural gas (or both) shall not be considered to have a Material Adverse Effect for the purposes of this Agreement);

(cc) "**material fact**" has the meaning ascribed thereto in the Securities Act;

(dd) "**Meeting**" means the special meeting of the Sun Red Shareholders to be held for the purpose of considering and, if thought fit, approving the Sun Red Amalgamation Resolution;

(ee) "**misrepresentation**" has the meaning ascribed thereto in the *Securities Act*;

(ff) "**Newco Amalgamation Resolution**" means the special resolution of the Newco Shareholder approving this Agreement and related matters;

(gg) "**Newco Shareholder**" means Compass, the sole holder of the outstanding Newco Shares;

(hh) "**Newco Shares**" means common shares in the capital of Newco;

(ii) "**Notice of Meeting**" means the notice of the Meeting to be provided by Sun Red to the Sun Red Shareholders;

(jj) "**Parties**" means Compass, Newco and Sun Red and "**Party**" means any one of them;

(kk) "**Permitted Encumbrances**" means:

(i) liens for Taxes, assessments and other governmental charges not due, or which are due and being contested in good faith by appropriate proceedings;

(ii) undetermined or inchoate liens, charges and privileges incidental to past or current operations and statutory liens, charges, adverse claims, security interests or encumbrances of any nature whatsoever claimed or held by any Governmental Entity that have not at the time been filed or registered against title to the assets of or served upon Compass, Sun Red or Newco, as applicable, or that relate to obligations not due or delinquent; or

(iii) those encumbrances that arise in the ordinary course of business and that are ordinarily considered "permitted encumbrances" in respect of oil and gas properties in western Canada;

(ll) "**Person**" includes an individual, firm, sole proprietorship, partnership, joint venture, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, company, trustee, executor, administrator or other legal representative, Governmental Entity or other entity, whether or not having legal status;

(mm) "**Registrar**" means the Registrar appointed under the ABCA;

(nn) "**Regulatory Approvals**" means the rulings, consents, orders, exemptions, permits and other approvals of Governmental Entities required to permit completion of the Amalgamation in accordance with applicable Laws and stock exchange rules;

(oo) "**Securities Act**" means the *Securities Act* (Alberta), as in effect on the date hereof;

(pp) "**Sproule**" means Sproule Associates Limited, Calgary, Alberta;

(qq) "**Sproule Report**" means the report of Sproule evaluating the crude oil, natural gas and natural gas liquids reserves of Compass effective June 30, 2009;

(rr) "**Subsidiary**" has the meaning ascribed thereto in the ABCA;

(ss) "**Sun Red Amalgamation Resolution**" means the special resolution of the Sun Red Shareholders approving this Agreement and related matters;

(tt) "**Sun Red Confidentiality Agreement**" means the confidentiality agreement dated February 25, 2010, between Sun Red and Compass, which provides for Sun Red to make certain confidential information available to Compass and which imposes on Compass confidentiality obligations and restrictions on the use of such confidential information;

(uu) "**Sun Red Options**" means the outstanding options to purchase up to an aggregate of 466,666 Sun Red Shares granted to directors, officers and a consultant of Sun Red;

(vv) "**Sun Red Shareholders**" means the holders of Sun Red Shares;

(ww) "**Sun Red Shares**" means common shares in the capital of Sun Red;

(xx) "**Superior Proposal**" has the meaning ascribed thereto in **Section 7.4(b)**;

(yy) "**Tax**" and "**Taxes**" means, with respect to any Person, all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings, profits or selected items of income, earnings or profits) and all capital taxes, gross receipts taxes, environmental taxes, sales taxes, use taxes, ad valorem taxes, value added taxes, transfer taxes, franchise taxes, license taxes, withholding taxes (including source withholdings in respect of income taxes, Canada Pension Plan and employment insurance premiums), payroll taxes, employment taxes, pension plan premiums, excise, severance, social security premiums, workers' compensation premiums, unemployment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits taxes, alternative or add-on minimum taxes, goods and services tax, customs duties or other taxes, fees, imports, assessments or charges of any kind whatsoever (including Saskatchewan Capital Tax and Saskatchewan Resource Surcharge), together with any interest, penalties, additional taxes and additions to tax imposed with respect to the foregoing;

(zz) "**Tax Act**" means the *Income Tax Act* (Canada), as in effect of the date hereof;

(aaa) "**Tax Returns**" means all returns, declarations, reports, elections, forms, information returns and statements filed or required to be filed with any taxing authority relating to Taxes;

(bbb) "**Time of Closing**" has the meaning ascribed thereto in **Section 7.7(a)**;

(ccc) "**Transferred Information**" means the personal information (namely, information about an identifiable individual other than their business contact information when used or disclosed for the purpose of contacting such individual in that individual's capacity as an employee or an official of an organization and for no other purpose) to be disclosed or conveyed to one Party or any of its representatives or agents (a "**Recipient**") by or on behalf of the other Party (a "**Disclosing Party**") as a result of or in conjunction with the transactions contemplated herein, and includes all such personal information disclosed to the Recipient prior to the execution of this Agreement;

(ddd) "**TSXV**" means the TSX Venture Exchange; and

(eee) "**Voting Agreements**" means the agreements to be executed and delivered by each of the directors, officers and insiders (as such term is defined in the Securities Act) of Sun Red in respect of the Sun Red Shares held by each such director, officer and insider as contemplated in **Section 7.2(a)**, which shall be in a form agreed to by Compass and Sun Red, each acting reasonably.

1.2 Currency

All amounts of money referred to in this Agreement are expressed in lawful money of Canada unless otherwise specified.

1.3 Interpretation Not Affected By Headings

The division of this Agreement into articles, sections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of the provisions of this Agreement. The terms "this Agreement", "hereof", "herein", "hereunder" and similar expressions refer to this Agreement and not to any particular article, section or paragraph hereof and include any agreement or instrument supplementary or ancillary hereto. References to "Articles" and "Sections" are to the articles and sections of this Agreement unless otherwise indicated.

1.4 Number and Gender

Unless the context otherwise requires, words importing the singular number only shall include the plural and vice versa and words importing the use of any gender shall include all genders.

1.5 Date for Any Action

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

1.6 Statutes

References in this Agreement to any statute include any regulations promulgated thereunder and in effect as at the date hereof.

1.7 Knowledge

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the knowledge or awareness of Sun Red or Compass, as applicable, it refers to the actual knowledge or awareness of the President and Chief Executive Officer and Chief Financial Officer in the case of Sun Red, and the Chairman and Chief Executive Officer, the Vice President, Operations and Controller and Chief Financial Officer in the case of Compass, in each case after reasonable inquiry.

1.8 Inclusive Terminology

Whenever used in this Agreement, the words "includes" and "including" and similar terms of inclusion shall not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, but rather shall mean "includes but not limited to" and "including but not limited to", so that references to included matters or items shall be regarded as illustrative without being either characterizing or exhaustive.

1.9 Accounting Matters

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings ascribed thereto under Canadian generally accepted accounting principles and all determinations of an accounting nature required to be made shall be made in a manner consistent with Canadian generally accepted accounting principles and past practice of the applicable Party.

ARTICLE 2
THE AMALGAMATION

2.1 Amalgamation

Sun Red and Newco shall amalgamate pursuant to the ABCA and continue as one corporation upon and subject to the terms and conditions and in the manner herein set out.

2.2 Notice of Meeting

As soon as reasonably practicable and in accordance with applicable Laws, Sun Red shall give the Notice of Meeting to the Sun Red Shareholders and shall prepare and mail the Circular to the

Sun Red Shareholders together with any other documents required by the ABCA or other applicable Laws in connection with the Meeting. Sun Red shall give Compass the opportunity to review and comment on all such documents and all such documents shall be satisfactory to each of Compass and Sun Red, acting reasonably, before they are distributed to the Sun Red Shareholders.

2.3 Preparation of Filings

(a) Each of the Parties shall cooperate in the taking of all such action as may be required under the ABCA in connection with the transactions contemplated hereby.

(b) Each of the Parties shall promptly furnish to the others all information concerning it and its securityholders as may be required in order to effect the actions described in **Section 2.2** and the foregoing provisions of this **Section 2.3**, and each Party covenants that no information furnished by it in connection with such actions or otherwise in connection with the consummation of the Amalgamation will (to its knowledge, in the case of information concerning its securityholders) contain any misrepresentation.

(c) Each of the Parties shall promptly notify the other Parties if, at any time before or after the Effective Time, it becomes aware that the Notice of Meeting or the Circular contains any misrepresentation or otherwise requires an amendment or supplement. In any such event, each Party shall cooperate in the preparation of a supplement or amendment to the Notice of Meeting or the Circular, as applicable, and, if required, shall cause the same to be mailed or otherwise distributed to the Sun Red Shareholders.

2.4 Filing of Articles of Amalgamation

Subject to the rights of termination set out in **Article 10** hereof, upon the Sun Red Shareholders approving this Agreement in accordance with the ABCA, Sun Red and Newco shall jointly file, with the Registrar, the Articles of Amalgamation and such other documents as are required to be filed under the ABCA to give effect to the Amalgamation pursuant to the ABCA.

2.5 Effect of the Amalgamation

On the Effective Date, the following will occur and will be deemed to occur in the following order without any further act or formality:

(a) Sun Red and Newco will amalgamate to form Amalco and will continue as one corporation under the ABCA, as provided for in **Section 186** of the ABCA;

(b) immediately upon the amalgamation of Sun Red and Newco to form Amalco:

(i) each 40 Sun Red Shares outstanding on the Effective Date (other than Sun Red Shares held by Dissenting Shareholders, to whom **Section 3.1(a)** shall apply) shall be exchanged for one Compass Share following which all such Sun Red Shares shall be cancelled;

(ii) Compass shall receive one fully paid and non-assessable common share of Amalco for each Newco Share held by Compass, following which all such Newco Shares shall be cancelled; and

(iii) in consideration of the issue by Compass of the Compass Shares exchanged for Sun Red Shares pursuant to this **Section 2.5(b)**, Amalco shall issue to Compass 900 fully paid and non-assessable common shares of Amalco.

(c) with respect to each of the Sun Red Shares exchanged in accordance with **Section 2.5(b)**:

(i) the holders thereof shall cease to be the holders of such Sun Red Shares and the names of such holders shall be removed from the register of Sun Red Shareholders;

(ii) each Sun Red Shareholder may, using a Letter of Transmittal, surrender the certificate or certificates representing the Sun Red Shares formerly held by him, her or it to the Depositary and, upon the surrender of such certificate(s) and Letter of Transmittal, shall be entitled to receive a certificate representing the Compass Shares to which such Sun Red Shareholder is entitled as a result of the Amalgamation, provided that any certificate formerly representing Sun Red Shares that is not deposited with the Depositary on or before the date that is five years less one day after the Effective Date shall cease to represent a right or claim of any kind or nature whatsoever; and

(iii) any fractional interests in Compass Shares resulting from the exchange provided for in **Section 2.5(b)** shall be rounded up or down to the nearest whole Compass Share;

provided that none of the foregoing shall occur or shall be deemed to occur unless all of the foregoing occurs.

2.6 Amalgamated Corporation

Unless and until otherwise determined in the manner required by Laws, by Amalco, by its directors, or by the holders of the Amalco Shares, as applicable, the following provisions shall apply:

(a) **Name**. The name of Amalco shall be "Compass Petroleum Corp.";

(b) **Registered Office**. The registered office of Amalco shall be located in Calgary, Alberta. The address of the registered office of Amalco shall be 4500, 855–2nd Street S.W., Calgary, Alberta T2P 4K7;

(c) **Business and Powers**. There shall be no restrictions on the business that Amalco may carry on or on the powers that it may exercise;

(d) **Authorized Share Capital**. Amalco shall be authorized to issue an unlimited number of common shares;

(e) **Share Restrictions**. The right to transfer shares of Amalco shall be restricted in that no shareholder of Amalco shall be entitled to transfer any share or shares in the capital of Amalco to any person who is not a shareholder of Amalco unless the transfer has been approved by the board of directors of Amalco;

(f) **Number of Directors**. The number of directors of Amalco shall be not less than one and not more than seven;

(g) **First Directors**. The initial directors of Amalco shall be as follows:

Yook L. Mah
600, 603-7th Avenue S.W.
Calgary, Alberta
T2P 2T5

Graham Barnes
600, 603-7th Avenue S.W.
Calgary, Alberta
T2P 2T5

The first Directors of Amalco shall hold office until the first annual meeting of the shareholders of Amalco or until their successors are duly appointed or elected;

(h) **By-laws**. The by-laws of Amalco shall be the existing by-laws of Newco;

(i) **Additional Directors**. The directors of Amalco may, between annual meetings, appoint one or more additional directors of Amalco to serve until the next annual meeting of Amalco, but the number of such additional directors shall not at any time to exceed ⅓ of the number of directors who held office at the expiration of the last annual meeting of the shareholders of Amalco;

(j) **Meetings of Shareholders**. Meetings of the holders of Amalco Shares may be held in any of the following cities or any other place determined by the directors of Amalco in accordance with applicable law: (1) Houston, Texas; (2) Phoenix, Arizona; (3) New York, New York; (4) Los Angeles, California; (5) Denver, Colorado; (6) Seattle, Washington; (7) Vancouver, British Colombia; (8) Regina, Saskatchewan; (9) Winnipeg, Manitoba; (10) Toronto, Ontario; (11) Ottawa, Ontario; (12) Montréal, Quebéc; (13) Québec City, Québec; (14) Fredericton, New Brunswick; (15) Halifax, Nova Scotia; (16) Charlottetown, Prince Edward Island; or (17) St. John, Newfoundland; and

(k) **Other Provisions**.

(i) The number of direct or indirect beneficial owners of securities of Amalco will be limited to not more than 50, not including employees and former employees of Amalco or any of its affiliates, provided that each person is counted as one beneficial owner unless the person is created or used solely to purchase or hold securities of Amalco, in which case each beneficial owner or each beneficiary of the person, as the case may be, shall be counted as a separate beneficial owner. For the purposes of this paragraph, the term "securities" does not include non-convertible debt securities of Amalco;

(ii) Any invitation to the public to subscribe for securities of Amalco will be prohibited; and

(iii) Amalco will have a lien on the shares of a shareholder or his legal representative for a debt of that shareholder to Amalco.

2.7 Assets and Liabilities

Amalco shall possess all of the property, rights, privileges and franchises of each of Sun Red and Newco as they exist immediately before the Effective Time, and shall be subject to all of the liabilities, contracts, disabilities and debts of each of Sun Red and Newco as they exist immediately before the Effective Time. All rights of creditors against the properties, assets, rights, privileges and franchises of Sun Red and Newco and all liens upon their properties, rights and assets shall be unimpaired by the Amalgamation and all debts, contracts, liabilities and duties of Sun Red and Newco shall attach to and may be enforced against Amalco. No action or proceeding by or against either Sun Red or Newco shall abate or be affected by the Amalgamation.

2.8 Stated Capital

(a) Upon the Amalgamation, Amalco shall add to the stated capital account maintained in respect of the Amalco Shares an amount equal to the aggregate stated capital of the Newco Shares and the Sun Red Shares immediately before the Effective Time.

(b) Upon the Amalgamation, Compass shall add to the stated capital account maintained in respect of the Compass Shares an amount equal to the aggregate fair market value of the Sun Red Shares immediately before the Effective Time less $100.

2.9 Tax Withholdings

Compass, Newco and Amalco (or any of them) shall be entitled to deduct and withhold from any consideration otherwise payable to any Sun Red Shareholder (and, for greater certainty, from any amount payable to a Dissenting Shareholder) in connection with the Amalgamation such amounts as Compass, Newco and Amalco (or any of them) are required, or reasonably believe are required, to be deducted and withheld from such consideration in accordance with applicable Laws. Any such amounts will be deducted and withheld from the consideration payable in connection with the Amalgamation and shall be treated for all purposes as having been paid to the applicable Sun Red Shareholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate Governmental Entity.

ARTICLE 3
RIGHTS OF DISSENT

3.1 Sun Red Dissent Rights

(a) A holder of Sun Red Shares may exercise rights of dissent with respect to such holder's Sun Red Shares pursuant to and in the manner set forth in Section 191 of the ABCA (the "**Dissent Rights**") in connection with the Amalgamation. If a holder of Sun Red Shares who duly exercises Dissent Rights is ultimately entitled to be paid fair value for his, her or its Sun Red Shares, such shares shall be deemed to have been surrendered to Sun Red for cancellation immediately prior to the Effective Time.

(b) If a Dissenting Shareholder is ultimately determined not to be entitled, for any reason, to be paid fair value for his, her or its Sun Red Shares, such Dissenting Shareholder shall be deemed to have participated in the Amalgamation, as of the Effective Time, on the same basis as a holder of Sun Red Shares who does not properly exercise Dissent Rights in connection with the Amalgamation.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF SUN RED

Sun Red represents and warrants to and in favour of Compass and Newco as follows, and acknowledges that Compass and Newco are relying upon such representations and warranties in connection with the entering into of this Agreement and the completion of the Amalgamation.

4.1 Organization and Standing

(a) Sun Red has been duly incorporated and is a valid and subsisting corporation under the ABCA, has all requisite corporate power and capacity to carry on its business as now conducted and to own or lease and operate its properties and assets and is duly licensed or otherwise qualified to carry on business in each jurisdiction in which the nature of the business conducted by it or the ownership or leasing of its properties makes such qualification necessary, except where the failure to be so licensed or qualified would not have a Material Adverse Effect on Sun Red.

(b) Sun Red has no Subsidiaries at the date hereof and shall have no Subsidiaries at the Effective Date.

4.2 Capitalization of Sun Red

(a) The authorized share capital of Sun Red consists of an unlimited number of Sun Red Shares. At the date hereof, 8,092,540 Sun Red Shares have been issued and are outstanding as fully paid and non-assessable shares. All of the outstanding Sun Red Shares were offered, issued and sold in compliance with applicable securities Laws, in distributions exempt from the prospectus and registration requirements of such securities Laws, and all notices and filings in respect of such distributions have been made by Sun Red within the time and within the manner required by such securities Laws. On December 15, 2009, an aggregate of 1,000,000 Sun Red Shares were duly cancelled by Sun Red with the consent of the holders thereof and such shares are no longer outstanding and Sun Red has no liability of any nature or kind whatsoever in respect of such cancelled Sun Red Shares.

(b) Except for the Sun Red Options, Sun Red does not have any outstanding agreements, subscriptions, warrants, options or commitments (whether pre-emptive, contingent or otherwise), nor has it granted any rights or privileges capable of becoming an agreement, subscription, warrant, option or commitment, obligating Sun Red to offer, sell, repurchase or otherwise acquire, transfer, pledge or encumber any securities of Sun Red, nor are there outstanding any securities or obligations of any kind convertible into or exercisable or exchangeable for any securities of Sun Red. There are no outstanding bonds, debentures or other evidences of indebtedness of Sun Red having the right to vote at meetings of the holders of Sun Red Shares or that are exchangeable or convertible for or exercisable into securities having the right to vote at meetings of Sun Red Shareholders.

(c) Sun Red does not own, legally or beneficially, any shares or other interests in any other Person. Sun Red is not a party to any agreement or arrangement to acquire any shares or other interests in any other Person and is not a party to any agreement or arrangement to acquire or lease any other business operations.

(d) There are no shareholder agreements, proxies, voting trusts, rights to require the registration of any securities or the qualification of the distribution of any securities under securities Laws or other arrangements or commitments to which Sun Red is a party or by which it is bound with respect to the voting, disposition, registration or qualification of the distribution of any outstanding securities of Sun Red.

(e) To the knowledge of Sun Red, none of the outstanding Sun Red Shares are subject to any escrow restriction, pooling arrangement, or voting trust, voluntary or otherwise, except as set out in the Disclosure Letter.

4.3 Authority and No Violation

(a) Sun Red has all requisite corporate power and capacity to enter into this Agreement and to perform its obligations hereunder and to consummate the Amalgamation. The execution, delivery and performance by Sun Red of this Agreement have been duly authorized by all necessary corporate action of Sun Red. This Agreement has been duly executed and delivered by Sun Red and constitutes a valid and binding obligation of Sun Red, enforceable against Sun Red in accordance with its terms, subject only to the following qualifications:

(i) the general principles of equity, including that an order of specific performance and an injunction are discretionary remedies and, in particular, may not be available where damages are considered an adequate remedy; and

(ii) enforcement may be limited by bankruptcy, insolvency, liquidation, reorganization, reconstruction and other similar Laws generally affecting the enforceability of creditors' rights.

(b) None of the execution and delivery of this Agreement, the consummation of the Amalgamation or the performance by Sun Red of its obligations hereunder do or will, nor will they with the giving of notice or the lapse of time or both:

(i) conflict with any of the terms, conditions or provisions of the Constating Documents of Sun Red;

(ii) violate any provision of any Laws applicable to Sun Red;

(iii) conflict with, result in a breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any agreement, covenant, undertaking, commitment, instrument, judgment, order, decree or award to which Sun Red is a party or by which it is bound or to which its property is subject; or

(iv) result in the cancellation, suspension or alteration in the terms of any licence, permit or authority held by Sun Red, or in the creation of any Encumbrance upon any of the assets of Sun Red or result in any other Person obtaining any interest or rights, including rights of purchase, termination, cancellation or acceleration;

except, in the case of clauses (ii) through (iv) above, those that would not, individually or in the aggregate, have a Material Adverse Effect on Sun Red or impair the ability of Sun Red to perform its obligations hereunder or prevent or delay the consummation of the Amalgamation.

(c) The board of directors of Sun Red, at a meeting duly called and held, has unanimously determined that the Amalgamation is fair to the Sun Red Shareholders and is in the best interests of Sun Red, and has resolved to recommend that Sun Red Shareholders vote in favour of the Amalgamation at the Meeting.

4.4 Consents, Approvals

No consent, approval, order or authorization of, or registration, declaration or filing with, any third party or Governmental Entity is required by or with respect to Sun Red in connection with the execution and delivery of this Agreement by Sun Red, the performance of its obligations hereunder or the consummation of the Amalgamation other than:

(a) the approval by the Sun Red Shareholders of the Sun Red Amalgamation Resolution;

(b) any filings with the Registrar; and

(c) any other consents, approvals, orders, authorizations, registrations, declarations or filings that, if not obtained or made, would not, individually or in the aggregate, have a Material Adverse Effect on Sun Red or prevent or delay the consummation of the Amalgamation or impair Sun Red's ability to perform its obligations hereunder.

4.5 Financial Statements

(a) The audited financial statements of Sun Red as at and for the fiscal year ended December 31, 2008 (including the notes thereto):

(i) have been prepared in accordance with Canadian generally accepted accounting principles applied on a basis consistent with prior periods; and

(ii) fairly present the financial position, results of operations and cash flows of Sun Red as of the date thereof and for the period covered thereby.

(b) From January 1, 2008 to the date of this Agreement, there has been no change by Sun Red in its accounting policies, methods, practices or principles.

(c) The unaudited interim financial statements of Sun Red as at and for the three and nine month periods ended September 30, 2009 (including the notes thereto):

(i) have been prepared in accordance with Canadian generally accepted accounting principles applied on a basis consistent with prior periods; and

(ii) fairly present the financial position, results of operations and cash flows of Sun Red as of the date thereof and for the periods covered thereby.

4.6 Liabilities and Indebtedness

(a) Except as disclosed or reflected in the Sun Red financial statements described in **Section 4.5**, or as reasonably incurred in the ordinary course of Sun Red's business and consistent with past practice since September 30, 2009 and not exceeding $75,000 in the aggregate, Sun Red has no liabilities of any nature, whether accrued, contingent or otherwise (or which would be required by Canadian generally accepted accounting principles to be reflected on a balance sheet of Sun Red).

(b) As at February 12, 2010, Sun Red's working capital (excluding legal and accounting costs associated with the transactions contemplated by this Agreement) was not less than $90,000.

(c) Transaction and other costs incurred or accrued by Sun Red on or prior to the Effective Date in connection with the Amalgamation shall not exceed $45,000, all as more particularly described in the Disclosure Letter.

4.7 Litigation, Etc.

Except as set out in the Disclosure Letter, there are no actions, suits, proceedings, investigations or outstanding claims or demands, whether or not purportedly on behalf of Sun Red, instituted or, to the knowledge of Sun Red, pending or threatened against or affecting Sun Red, at Law or in equity or before or by any Governmental Entity, and there are no grounds upon which any such action, suit or proceeding might be commenced, against Sun Red. There is no judgment, order, decree or award of any Governmental Entity having jurisdiction issued or, to the knowledge of Sun Red, pending or threatened against Sun Red, and neither Sun Red nor its assets is subject to any outstanding judgment, order, writ, injunction or decree.

4.8 Insurance

Sun Red has no insurance in place against loss or damages to its business or assets.

4.9 Absence of Certain Changes or Events

(a) Except as set out in the Disclosure Letter, Sun Red is not a party or subject to any material contract permit, licence, approval, certificate or other right or authorization and, to the knowledge of Sun Red: (i) each such document to which it is a party or otherwise subject to is valid, binding and enforceable against each of the parties thereto in accordance with its terms (subject only to qualifications of the nature set out in **Sections 4.3(a)(i)** and **(ii)** hereof), (ii) no material breach or default exists in respect thereof on the part of any party thereto, and (iii) no event has occurred that, with the giving of notice or the lapse of time, or both, would constitute such a material breach or default, except as set out in the Disclosure Letter.

(b) Since December 31, 2008, Sun Red has not

(i) made any bonus payments;

(ii) declared or paid any dividends or made any distribution of its properties or assets to its shareholders;

(iii) disposed of any of its assets or incurred any material indebtedness; or

(iv) made or suffered any change or changes in its financial condition, assets, liabilities or business that, singly or in the aggregate, have had a Material Adverse Effect or could have a Material Adverse Effect on its financial condition, assets, liabilities or business as currently conducted or as proposed to be conducted, except as set out in the Disclosure Letter.

(c) Since December 31, 2008, Sun Red has conducted its business only in the ordinary course in a manner consistent with past practice, except as set out in the Disclosure Letter.

4.10 Tax

(a) Sun Red has timely filed, or caused to be filed, all material Tax Returns required to be filed by it (all of which returns were correct and complete in all material respects), has timely paid, or caused to be paid, all Taxes due and payable by it, and has satisfied in full in all respects all Tax withholding, deposit and remittance requirements imposed on or with respect to Sun Red, and Sun Red's financial statements as at and for the fiscal period ended September 30, 2009 contain an adequate provision in accordance with Canadian generally accepted accounting principles for all material amounts of Taxes payable in respect of each period covered by such financial statements to the extent such Taxes have not been paid, whether or not due and whether or not shown as being due on any Tax Return. Sun Red has made adequate provision in accordance with Canadian generally accepted accounting principles in its books and records for any amount of Taxes material to Sun Red and accruing in respect of any accounting period ending subsequent to the period covered by such financial statements.

(b) Sun Red has not received any written notification that any issue involving an amount of Taxes has been raised (and is currently pending) by the Canada Revenue Agency or any other taxing authority, including any sales tax authority, and no waivers of statutes of limitations or objections to any assessments or reassessments involving an amount of Taxes have been given, filed or requested with respect to Sun Red. Sun Red has not received any notice from any taxing authority to the effect that any Tax Return is being examined, and Sun Red has no knowledge or notice of any contemplated Tax audit. No proposed (but unassessed) additional Taxes have been asserted against Sun Red. There are no Tax liens on, or statutory trusts in respect of, any assets of Sun Red. Sun Red has not received a refund of any Taxes to which it was not entitled.

(c) Sun Red has withheld from each payment made to any present or former employees, officers, consultants and directors and to all Persons who are non-residents of Canada for the purposes of the Tax Act all amounts required by applicable Laws, and has remitted such withheld amounts within the prescribed periods to the appropriate federal or provincial taxing authority. Sun Red has remitted all Canada Pension Plan contributions, Employment Insurance premiums and other Taxes payable by it and has or will have remitted such amounts to the proper taxing authority within the time required by applicable Laws. Sun Red has charged, collected and remitted on a timely basis all Taxes required by applicable Laws (including Part IX of the *Excise Tax Act* (Canada) or the retail sales tax legislation of any province of Canada) on any sale, supply or delivery whatsoever made by Sun Red.

(d) Sun Red has furnished to Compass true and complete copies of all of its federal and provincial Tax Returns and Tax Returns filed by it pursuant to the *Excise Tax Act* (Canada).

4.11 Employment Matters, Etc.

(a) Sun Red has no employees and has never entered into an employer-employee relationship with any other Person. Sun Red is not a party to any written or oral policy, agreement, obligation or understanding providing for severance, termination or change of control payments to any former or current director, officer or consultant of Sun Red. No payments will be triggered and be payable by Sun Red or Amalco (on account of prior actions or obligations of Sun Red) in connection with, or as a result of, the Amalgamation.

(b) There are no complaints against Sun Red before any employment standards branch or tribunal or human rights tribunal, nor, to the knowledge of Sun Red, are there any complaints or any occurrences that could reasonably be expected to lead to a complaint under any human rights legislation or employment standards legislation.

(c) To the knowledge of Sun Red, no independent contractor of Sun Red is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement (in all cases, to which Sun Red is a party), which would interfere with the use of such independent contractor's best efforts to promote the interests of Sun Red. To the knowledge of Sun Red (without having made any independent inquiry in this regard), no independent contractor of Sun Red is subject to any judgment, decree or order of any court or administrative agency, which would interfere with the use of such independent contractor's best efforts to promote the interests of Sun Red. Sun Red has not received any notice from any other Person that any present or former independent contractor of Sun Red has violated any term of any non-competition or non-solicitation agreement, patent or other proprietary information agreement or similar contract with, or any fiduciary duty in favour of, any other third party. Sun Red has not received any notice from any third party alleging that such a violation has occurred.

(d) Sun Red is not subject to any present or future obligation or liability under any pension plan, deferred compensation plan, retirement income plan, stock purchase plan, profit sharing plan, bonus plan or policy, group insurance plan, hospitalization plan, disability plan or other benefit plan, program, policy or practice, formal or informal.

(e) The obligations of Sun Red to its consultants arising out of or as a result of the Amalgamation shall not exceed $12,500.

4.12 Corporate Records

The corporate records and minute books of Sun Red, as made available to Compass and its counsel, are up-to-date in all material respects, and contain complete and accurate minutes of all meetings of shareholders and the board of directors and any committees thereof and all resolutions consented to in writing by the directors or shareholders of Sun Red.

4.13 Compliance with Laws

Sun Red is in compliance, and at all times has complied, with all applicable Laws other than those the non-compliance with which would not, individually or in the aggregate, have a Material Adverse Effect on Sun Red. No investigation or review by any Governmental Entity with respect to Sun Red is, to the knowledge of Sun Red, pending or threatened, nor has any Governmental Entity indicated to Sun Red an intention to conduct any investigation or review.

4.14 Restrictions on Business Activities

To the knowledge of Sun Red, there is no agreement, judgment, injunction, order or decree binding upon Sun Red that has, or could be reasonably expected to have, the effect of prohibiting, restricting or materially impairing any business practice of Sun Red or the conduct of business by Sun Red.

4.15 Brokerage and Finders' Fees

Neither Sun Red nor any shareholder, director or officer thereof has incurred, or will incur on behalf of Sun Red, any brokerage fees, finder's fees, agent's commissions or other similar forms of compensation in connection with this Agreement or the transactions contemplated hereby.

4.16 Solvency of Sun Red

There are reasonable grounds for believing that Sun Red is able to pay its liabilities as they become due and, immediately prior to the Effective Time, Sun Red will be able to pay its liabilities as they become due. There are reasonable grounds for believing that the realizable value of Amalco's assets will, immediately after the consummation of the Amalgamation, not be less than the aggregate of its liabilities and the stated capital of all classes of its shares, and a senior officer of Sun Red will sign a certificate to that effect in connection with the filing of the Articles of Amalgamation pursuant to **Section 2.4**, which certificate will be addressed to the director of Amalco who provides the statutory declaration contemplated by Section 185(2) of the ABCA.

4.17 Issuer Status

Sun Red is a "reporting issuer" under securities legislation in force in each of the provinces of British Columbia, Alberta and Ontario.

4.18 Creditors of Sun Red

Sun Red has reasonable grounds for believing that no creditor of Sun Red will be prejudiced by the Amalgamation, and a senior officer of Sun Red will sign a certificate to that effect in connection with the filing of the Articles of Amalgamation pursuant to **Section 2.4**, which certificate will be addressed to the director of Amalco who provides the statutory declaration contemplated by Section 185(2) of the ABCA.

4.19 Non Arm's-Length Contracts

Sun Red is not a party to any contract or agreement with any officer, director or shareholder or any Person not dealing at arm's-length (within the meaning of the Tax Act) with any of the foregoing.

4.20 No Guarantees or Indemnities

Sun Red is not a party to or bound by any agreement of guarantee, indemnification (other than indemnities in favour of directors and officers in accordance with the by-laws of Sun Red and other than indemnities and guarantees in favour of Sun Red's registrar and transfer agent), or any other like commitment in respect of the obligations, liabilities (contingent or otherwise) or indebtedness of any other Person.

4.21 No Loans

Sun Red has no loans or other indebtedness outstanding that have been made to or by any of its shareholders, officers or directors or any other Person.

4.22 Auditor Recommendations

Sun Red has not received any management recommendation letters from its auditor.

4.23 Encumbrances and Title

Sun Red's assets are free and clear of all mortgages, pledges, liens, charges and encumbrances and no Person has any right to acquire an interest in any of its assets. Sun Red has not done any act, omitted to do any act or permitted any act to be done that may adversely affect its ownership of any of its assets.

4.24 Public Record

All information and statements filed by or on behalf of Sun Red with applicable securities regulatory authorities were true, correct and complete in all material respects and did not contain any misrepresentation as of the date of such information or statements, and Sun Red has not filed any confidential material change reports still maintained on a confidential basis under applicable securities Laws.

4.25 Sun Red Information

Sun Red has made available to Compass, and its directors, officers, employees and agents, all of the information relating to Sun Red that Compass has requested in connection with the Amalgamation. None of the information relating to Sun Red provided by Sun Red to Compass or its directors, officers, employees or agents in connection with the transaction contemplated by this Agreement contained, in respect of Sun Red, any misrepresentation.

4.26 Survival of Representations and Warranties

The representations and warranties of Sun Red contained in this Agreement shall not survive the completion of the Amalgamation and shall expire and be terminated and extinguished upon the Amalgamation becoming effective.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF COMPASS

Compass represents and warrants to and in favour of Sun Red as follows, and acknowledges that Sun Red is relying upon such representations and warranties in connection with the entering into of this Agreement and the completion of the Amalgamation.

5.1 Organization and Standing

(a) Compass has been duly incorporated and is a valid and subsisting corporation under the ABCA, has all requisite corporate power and capacity to carry on its business as now conducted and to own or lease and operate its properties and assets and is duly licensed or otherwise qualified to carry on business in each jurisdiction in which the nature of the business conducted by it or the ownership or leasing of its properties makes such qualification necessary, except where the failure to be so licensed or qualified would not have a Material Adverse Effect on Compass.

(b) Compass has no Subsidiaries at the date hereof and shall have no Subsidiaries at the Effective Date, other than Compass Petroleum Inc. and Newco.

5.2 Capitalization of Compass

(a) The authorized share capital of Compass consists of an unlimited number of Compass Shares. At the date hereof, 23,938,294 Compass Shares have been issued and are outstanding as fully paid and non-assessable shares. All the Compass Shares were offered, issued and sold in compliance with applicable securities Laws in distributions exempt from the prospectus and registration requirements of such securities Laws, and all notices and filings in respect of such distributions, if any, have been made by Compass in the time and in the manner required by such securities Laws.

(b) Except for the Compass Options, the Compass Warrants and the Compass Convertible Notes, Compass does not have any outstanding agreements, subscriptions, warrants, options or commitments (pre-emptive, contingent or otherwise), nor has it granted any right or privilege capable of becoming an agreement, subscription, warrant, option or commitment, obligating Compass to offer, sell, repurchase or otherwise acquire, transfer, pledge or encumber any securities of Compass, nor are there outstanding any securities or obligations of any kind convertible into or exercisable or exchangeable for any securities of Compass. Except for the Compass Convertible Notes, there are no outstanding bonds, debentures or other evidences of indebtedness of Compass having the right to vote at meetings of the holders of Compass Shares or that are exchangeable or convertible for or exercisable into securities having the right to vote at meetings of the holders of Compass Shares.

(c) Except as noted in **Section 5.1(b)** and other than the Compass Petroleum Partnership and joint ventures entered into by Compass in the ordinary course of its business, Compass does not own, legally or beneficially, any shares or other interests in any Person. Compass is not a party to any agreement or arrangement to acquire any shares or other interests in any other Person and is not a party to any agreement or arrangement to acquire or lease any other business operations except agreements and arrangements entered into in the ordinary course of its business.

(d) There are no shareholder agreements, proxies, voting trusts, rights to require the registration of any securities or the qualification of the distribution of any securities under securities Laws or other arrangements or commitments to which Compass is a party or by which it is bound with respect to the voting, disposition, registration or qualification of the distribution of any outstanding securities of Compass.

(e) To the knowledge of Compass, none of the outstanding Compass Shares are subject to any escrow restriction, pooling arrangement, or voting trust, voluntary or otherwise, except for escrow restrictions that may be imposed by the TSXV in connection with the transactions contemplated by this Agreement.

5.3 Authority and No Violation

(a) Compass has all requisite corporate power and capacity to enter into this Agreement and to perform its obligations hereunder. The execution, delivery and performance by Compass of this Agreement have been duly authorized by all necessary corporate action of Compass. This Agreement has been duly executed and delivered by Compass and constitutes a valid and binding obligation of Compass, enforceable against Compass in accordance with its terms, subject only to the following qualifications:

(i) the general principles of equity, including that an order of specific performance and an injunction are discretionary remedies and, in particular, may not be available where damages are considered an adequate remedy; and

(ii) enforcement may be limited by bankruptcy, insolvency, liquidation, reorganization, reconstruction and other similar Laws generally affecting the enforceability of creditors' rights.

(b) None of the execution and delivery of this Agreement or the performance by Compass of its obligations hereunder do or will, nor will they, with the giving of notice or the lapse of time or both:

(i) conflict with any of the terms, conditions or provisions of the Constating Documents of Compass;

(ii) violate any provision of any Laws applicable to Compass;

(iii) conflict with, result in a breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any agreement, covenant, undertaking, commitment, instrument, judgment, order, decree or award to which Compass is a party or by which it is bound or to which its property is subject; or

(iv) result in the cancellation, suspension or alteration in the terms of any licence, permit or authority held by Compass, or in the creation of any Encumbrance upon any of the assets of Compass under any agreement, covenant, undertaking, commitment, instrument, judgment, order, decree or award or result in any other Person obtaining any interest or rights, including rights of purchase, termination, cancellation or acceleration;

except, in the case of clauses (ii) through (iv) above, those that would not, individually or in the aggregate, have a Material Adverse Effect on Compass or materially impair the ability of Compass to perform its obligations hereunder or prevent or delay the consummation of the Amalgamation.

5.4 Consents, Approvals

No consent, approval, order or authorization of, or registration, declaration or filing with, any third party or Governmental Entity is required by or with respect to Compass in connection with the execution and delivery of this Agreement by Compass, the performance of its obligations hereunder other than:

(a) the consent of Compass' banker;

(b) any filings with the Registrar; and

(c) any other consents, approvals, orders, authorizations, registrations, declarations or filings that, if not obtained or made, would not, individually or in the aggregate, have a Material Adverse Effect on Compass or prevent or delay the consummation of the Amalgamation or materially impair Compass' ability to perform its obligations hereunder.

5.5 Financial Statements, Reports

(a) The audited financial statements of Compass as at and for the fiscal year ended June 30, 2009 and the unaudited interim financial statements for the three month period ended September 30, 2009 (including the notes thereto):

(i) have been prepared in accordance with Canadian generally accepted accounting principles applied on a basis consistent with prior periods (except as noted in such financial statements); and

(ii) fairly present the financial position, results of operations and cash flows of Compass as of the date thereof and for the periods covered thereby.

(b) From July 1, 2008 to the date of this Agreement, there has been no change by Compass in its accounting policies, methods, practices or principles.

5.6 Liabilities and Indebtedness

(a) Except as disclosed or reflected in the Compass financial statements described in **Section 5.5** or as incurred in the ordinary course of Compass' business and consistent with past practice since September 30, 2009, Compass has no liabilities of any nature, whether accrued, contingent or otherwise (or which would be required by Canadian generally accepted accounting principles to be reflected on a balance sheet of Compass) that have had or would be reasonably likely to have a Material Adverse Effect in respect of Compass.

(b) As at February 12, 2010 Compass' aggregate bank debt was $1,650,000 and its working capital deficiency (excluding bank debt) did not exceed $3,000,000.

5.7 Litigation, Etc.

There are no actions, suits, proceedings, investigations or outstanding claims or demands, whether or not purportedly on behalf of Compass, instituted or, to the knowledge of Compass, pending or threatened against or affecting Compass, at Law or in equity or before or by any Governmental Entity, except those that, if determined adversely to Compass, would not reasonably be expected to have a Material Adverse Effect on Compass. There is no judgment, order, decree or award of any Governmental Entity having jurisdiction issued or, to the knowledge of Compass, pending or threatened against Compass, and neither Compass nor its assets or properties is, to the knowledge of Compass, subject to any outstanding judgment, order, writ, injunction or decree.

5.8 Insurance

Compass is insured against loss or damages to its business and assets, in such amounts and against such risks as are customarily carried and insured against by owners of comparable businesses and assets, no notice of cancellation or termination thereof has been received by Compass and there is no existing default or event that, with the giving of notice or lapse of time, or both, would constitute a default thereunder. All such policies of insurance will remain in full force and effect in accordance with their terms following the execution and delivery of this Agreement and shall not be cancelled or otherwise terminated as a result of the Amalgamation.

5.9 Absence of Certain Changes or Events

(a) Each contract or agreement between Compass and any other Person that is material to the ownership, use or operation of a material portion of the business, properties or assets of Compass is in full force and effect and, to the knowledge of Compass: (i) is valid, binding and enforceable against each of the parties thereto in accordance with its terms (subject only to qualifications of the nature set out in **Sections 5.3(a)(i)** and **(ii)** hereof); (ii) no material breach or default exists in respect thereof on the part of any party thereto; and (iii) no event has occurred that, with the giving of notice or the lapse of time, or both, would constitute such a material breach or default, except as disclosed to Sun Red in writing.

(b) Since September 30, 2009, Compass has not:

(i) declared or paid any dividends or made any distribution of its properties or assets to its shareholders;

(ii) disposed of any of its material properties or assets or incurred any material indebtedness; or

(iii) made or suffered any change or changes in its financial condition, assets, liabilities or business that, singly or in the aggregate, have had a Material Adverse Effect or would reasonably be expected to have a Material Adverse Effect on its financial condition, assets, liabilities or business as currently conducted or as proposed to be conducted, except as disclosed to Sun Red in writing.

(c) Since September 30, 2009, Compass has conducted its business only in the ordinary course in a manner consistent with past practice, except as disclosed in writing to Sun Red.

5.10 Tax

(a) Compass has timely filed, or caused to be filed, all material Tax Returns required to be filed by it (all of which returns were correct and complete in all material respects), has timely paid, or caused to be paid, all Taxes due and payable by it, and has satisfied in full in all respects all Tax withholding, deposit and remittance requirements imposed on or with respect to Compass, and Compass' financial statements for the fiscal period ended June 30, 2009 contain an adequate provision in accordance with Canadian generally accepted accounting principles for all material amounts of Taxes payable in respect of each period covered by such financial statements to the extent such Taxes have not been paid, whether or not due and whether or not shown as being due on any Tax Return. Compass has made adequate provision in accordance with Canadian generally accepted accounting principles in its books and records for any amount of Taxes material to Compass and accruing in respect of any accounting period ending subsequent to the period covered by such financial statements.

(b) Compass has not received any written notification that any issue involving an amount of Taxes has been raised (and is currently pending) by the Canada Revenue Agency or any other taxing authority, including any sales tax authority, and no waivers of statutes of limitations or objections to any assessments or reassessments involving an amount of Taxes have been given, filed or requested with respect to Compass. Compass has not received any notice from any taxing authority to the effect that any Tax Return is being examined, and Compass has no knowledge or notice of any contemplated Tax audit. No proposed (but unassessed) additional Taxes have been asserted against Compass. There are no Tax liens on, or statutory trusts in respect of, any assets of Compass except for Taxes not yet due and payable. Compass has not received a refund of any Taxes to which it was not entitled.

(c) Compass has withheld from each payment made to any present or former employees, officers, consultants and directors and to all Persons who are non-residents of Canada for the purposes of the Tax Act all amounts required by applicable Laws, and has remitted such withheld amounts within the prescribed periods to the appropriate federal or provincial taxing authority. Compass has remitted all Canada Pension Plan contributions, Employment Insurance premiums and other Taxes payable by it and has or will have remitted such amounts to the proper taxing authority within the time required by applicable Laws. Compass has charged, collected and remitted on a timely basis all Taxes required by applicable Laws (including Part IX of the *Excise Tax Act* (Canada) or the retail sales tax legislation of any province of Canada) on any sale, supply or delivery whatsoever made by Compass.

(d) Compass has furnished to Sun Red true and complete copies of all of its federal and provincial Tax Returns and Tax Returns relating to its most recently completed financial year and filed by it pursuant to the *Excise Tax Act* (Canada).

5.11 Corporate Records

The corporate records and minute books of Compass, as made available to Sun Red and its counsel, are up-to-date in all material respects, and contain complete and accurate minutes of all meetings of shareholders and the board of directors and any committees thereof and all resolutions consented to in writing by the directors or shareholders of Compass.

5.12 Compliance with Laws

Compass is in compliance, and at all times has complied, with all applicable Laws other than those the non-compliance with which would not, individually or in the aggregate, have a Material Adverse Effect on Compass. No investigation or review by any Governmental Entity with respect to Compass is, to the knowledge of Compass, pending or threatened, nor has any Governmental Entity indicated to Compass an intention to conduct any investigation or review in respect of Compass, other than those the outcome of which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Compass.

5.13 Restrictions on Business Activities

To the knowledge of Compass, there is no agreement, judgment, injunction, order or decree binding upon Compass that has, or would be reasonably expected to have, the effect of prohibiting, restricting or materially impairing any business practice of Compass or the conduct of business by Compass as currently conducted or as proposed to be conducted.

5.14 Issuer Status

Compass is not a "private issuer" as defined in National Instrument 45-106, nor is it a "reporting issuer" as defined in the Securities Act.

5.15 No Guarantees or Indemnities

Compass is not a party to or bound by any agreement of guarantee, indemnification (other than indemnities in favour of directors and officers in accordance with the by-laws of Compass and applicable Laws and other than standard indemnities in favour of purchasers of assets in purchase and sale agreements entered into by Compass and indemnities and guarantees in favour of Compass' registrar and transfer agent and its bankers), or any other like commitment in respect of the obligations, liabilities (contingent or otherwise) or indebtedness of any other Person.

5.16 No Loans

Compass has no loans or other indebtedness outstanding that have been made to or by any of its shareholders, officers, directors or employees or any other Person not dealing at arm's-length with Compass other than as evidenced by the Compass Convertible Notes.

5.17 Auditor Recommendations

Compass has received management recommendation letters relating to Compass from its auditor and has implemented any material recommendations contained therein.

5.18 Encumbrances and Title

(a) Compass' properties and assets are free and clear of all mortgages, pledges, liens, charges and encumbrances (other than encumbrances in favour of Compass' banker and Permitted Encumbrances) and no Person has any right to acquire an interest in or to its material properties or assets (except pursuant to joint venture agreements or other arrangements entered into in connection with the conduct of oil and gas exploration, development or production activities), nor has it done any act, omitted to do any act or permitted any act to be done that may adversely affect or defeat its title to any of its material properties or assets.

(b) Although it does not warrant title, and other than encumbrances in favour of Compass' banker and Permitted Encumbrances, Compass is not aware of any defects, failures or impairments in its title to its oil and gas properties or facilities, whether or not an action, suit, proceeding or inquiry is pending or threatened and whether or not discovered by any third party, which in the aggregate would reasonably be expected to have a Material Adverse Effect on Compass.

5.19 Sproule Report

Compass made available to Sproule, prior to issuance of the Sproule Report, all information material to the estimation of its oil and gas reserves, none of such information contained a material misrepresentation and (other than as may be affected by the production of oil and natural gas in the ordinary course or changes in commodity prices) Compass has no knowledge of any change to its oil and gas reserves since the effective date of the Sproule Report that would have a Material Adverse Effect on Compass, excluding, for greater certainty, any reduction in its reserves attributable to production from such reserves since June 30, 2009. To the knowledge of Compass, the Sproule Report reasonably presented the quantity and pre-tax present worth values of the oil and gas reserves of Compass as at June 30, 2009 based upon information available at the time the Sproule Report was prepared and the assumptions as to commodity prices and costs contained therein.

5.20 Compass Information

Compass has made available to Sun Red, and its directors, officers and agents, all of the information relating to Compass that Sun Red has requested in connection with the Amalgamation. None of the information relating to Compass provided by Compass to Sun Red or its directors, officers or agents in connection with the transaction contemplated by this Agreement contained, in respect of Compass, any misrepresentation.

5.21 Survival of Representations and Warranties

The representations and warranties of Compass contained in this Agreement shall not survive the completion of the Amalgamation and shall expire and be terminated and extinguished upon the Amalgamation becoming effective.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF COMPASS IN RELATION TO NEWCO

Compass represents and warrants to and in favour of Sun Red as follows, and acknowledges that Sun Red is relying upon such representations and warranties in connection with the entering into of this Agreement and the completion of this Amalgamation.

6.1 Organization and Standing

(a) Newco has been duly incorporated and is a valid and subsisting corporation under the ABCA, has all requisite corporate power and capacity to carry on its business as now being carried on by it and is duly licensed or otherwise qualified to carry on business in each jurisdiction in which the nature of the business conducted by it makes such qualification necessary, except where the failure to be so licensed or qualified would not have a Material Adverse Effect on Compass.

(b) Newco has no Subsidiaries at the date hereof.

6.2 Capitalization of Newco

(a) The authorized share capital of Newco consists of an unlimited number of Newco Shares. At the date hereof, 100 Newco Shares have been issued and are outstanding as fully paid and non-assessable. The foregoing Newco Shares were issued and sold in compliance with applicable securities Laws in a distribution exempt from the prospectus and registration requirements of such securities Laws, and all notices and filings, if any, in respect of such distribution have been made by Newco within the time and within the manner required by such securities Laws.

(b) Newco does not have any outstanding agreements, subscriptions, warrants, options or commitments (pre-emptive, contingent or otherwise), nor has it granted any right or privilege capable of becoming an agreement, subscription, warrant, option or commitment, obligating Newco to offer, sell, repurchase or otherwise acquire, transfer, pledge or encumber any securities of Newco, nor are there outstanding any securities or obligations of any kind convertible into or exercisable or exchangeable for any securities of Newco. There are no outstanding bonds, debentures or other evidences of indebtedness of Newco having the right to vote at meetings of the holders of Newco Shares or that are exchangeable or convertible for or exercisable into securities having the right to vote at meetings of the holders of Newco Shares.

(c) Newco does not own any shares or other interests in any Person. Newco is not a party to any agreement or arrangement to acquire any shares or other interests in any other Person and is not a party to any agreement or arrangement to acquire or lease any other business operations.

(d) There are no shareholder agreements, proxies, voting trusts, rights to require the registration of any securities or the qualification of the distribution of any securities under securities Laws or other arrangements or commitments to which Newco is a party or by which it is bound with respect to the voting, disposition, registration or qualification for distribution of any outstanding securities of Newco.

(e) None of the Newco Shares held by Compass, which is the sole Newco Shareholder, are subject to any escrow restriction, pooling arrangement, or voting trust, voluntary or otherwise.

6.3 Authority and No Violation

(a) Newco has all requisite corporate power and capacity to enter into this Agreement and to perform its obligations hereunder and to consummate the Amalgamation. The execution, delivery and performance of this Agreement have been, or will prior to the Effective Time be, duly authorized by all necessary corporate action of Newco. This Agreement has been duly executed and delivered by Newco and constitutes a valid and binding obligation of Newco, enforceable against Newco in accordance with its terms, subject only to the following qualifications:

(i) the general principles of equity, including that an order of specific performance and an injunction are discretionary remedies and, in particular, may not be available where damages are considered an adequate remedy; and

(ii) enforcement may be limited by bankruptcy, insolvency, liquidation, reorganization, reconstruction and other similar Laws generally affecting the enforceability of creditors' rights.

(b) None of the execution and delivery of this Agreement, the consummation of the Amalgamation or the performance by Newco of its obligations hereunder do or will, nor will they with the giving of notice or the lapse of time or both:

(i) conflict with any of the terms, conditions or provisions of the Constating Documents of Newco;

(ii) violate any provision of any Laws applicable to Newco;

(iii) conflict with, result in a breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any agreement, covenant, undertaking, commitment, instrument, judgment, order, decree or award to which Newco is a party or by which it is bound; or

(iv) result in the cancellation, suspension or alteration in the terms of any licence, permit or authority held by Newco, or in the creation of any Encumbrance upon any of the assets of Newco under any agreement, covenant, undertaking, commitment, instrument, judgment, order, decree or award or result in any other Person obtaining any interest or rights, including rights of purchase, termination, cancellation or acceleration;

except, in the case of clauses (ii) through (iv) above, those that would not, individually or in the aggregate, have a Material Adverse Effect on Compass or materially impair the ability of Newco to perform its obligations hereunder or prevent or delay the consummation of the Amalgamation.

6.4 Consents, Approvals

No consent, approval, order or authorization of, or registration, declaration or filing with, any third party or Governmental Entity is required by or with respect to Newco in connection with the execution and delivery of this Agreement by Newco, the performance of its obligations hereunder or the consummation by Newco of the transactions contemplated hereby other than:

(a) the consent of Compass' banker;

(b) the approval by the Newco Shareholder of the Newco Amalgamation Resolution;

(c) any filings with the Registrar; and

(d) any other consents, approvals, orders, authorizations, registrations, declarations or filings that, if not obtained or made, would not, individually or in the aggregate, have a Material Adverse Effect on Compass or prevent or delay the consummation of the Amalgamation or materially impair Newco's ability to perform its obligations hereunder.

6.5 Litigation, Etc.

There are no actions, suits, proceedings, investigations or outstanding claims or demands, whether or not purportedly on behalf of Newco, instituted or, to the knowledge of Compass, pending or threatened against or affecting Newco, at Law or in equity or before or by any Governmental Entity. There is no judgment, order, decree or award of any Governmental Entity having jurisdiction issued or, to the knowledge of Compass, pending or threatened against Newco, and Newco is not subject to any outstanding judgment, order, writ, injunction or decree.

6.6 Corporate Records

The corporate records and minute books of Newco, as made available to Sun Red and its counsel, are up-to-date in all material respects, and contain complete and accurate minutes of all meetings of shareholders and the board of directors and any committees thereof and all resolutions consented to in writing by the directors or shareholders of Newco.

6.7 Compliance with Laws

Newco is in compliance, and at all times has complied, with all applicable Laws, other than those the non-compliance with which would not, individually or in the aggregate, have a Material Adverse Effect on Compass. No investigation or review by any Governmental Entity with respect to Newco is, to the knowledge of Compass, pending or threatened, nor has any Governmental Entity indicated an intention to conduct any investigation or review in respect of Newco, other than those the outcome of which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Compass.

6.8 Restrictions on Business Activities

To the knowledge of Compass, there is no agreement, judgment, injunction, order or decree binding upon Newco that has, or could be reasonably expected to have, the effect of prohibiting, restricting or materially impairing any business practice of Newco or the conduct of business by Newco as currently conducted or proposed to be conducted.

6.9 Solvency of Newco

There are reasonable grounds for believing that Newco is able to pay its liabilities as they become due and, immediately prior to the time of the consummation of the Amalgamation, will be able to pay its liabilities as they become due.

6.10 Creditors of Newco

Compass has reasonable grounds for believing that no creditor of Newco will be prejudiced by the Amalgamation.

6.11 No Guarantees or Indemnities

Newco is not a party to or bound by any agreement of guarantee, indemnification (other than indemnities in favour of directors and officers in accordance with the by-laws of Newco and applicable Laws), or any other like commitment in respect of the obligations, liabilities (contingent or otherwise) or indebtedness of any other Person.

6.12 No Loans

Newco has no loans or other indebtedness outstanding that have been made to or by any of its shareholders, officers, directors or employees or any other Person not dealing at arm's-length with Newco.

6.13 Restrictions on Business

Newco is not a party to or bound or affected by any commitment, agreement or document containing any covenant expressly limiting its freedom to compete in any line of business, compete in any geographic region, or transfer or move any of its assets or operations, that would have a Material Adverse Effect on Compass.

6.14 Survival of Representations and Warranties

The representations and warranties of Compass relating to Newco contained in this Agreement shall not survive the completion of the Amalgamation and shall expire and be terminated and extinguished upon the Amalgamation becoming effective.

ARTICLE 7
COVENANTS AND AGREEMENTS

7.1 Mutual Covenants

(a) Each of Compass, Sun Red and Newco agrees that, until the earlier of the Effective Date and the termination of this Agreement in accordance with **Article 10** in each case except (i) with the consent of the other Parties or (ii) as expressly contemplated by this Agreement:

(i) it shall:

(A) carry on its businesses in the usual and ordinary course consistent with past practices; and

(B) use reasonable efforts to preserve intact its present business organization and material rights and franchises, to keep available the services of its current officers and employees, and to preserve its relationships with customers, suppliers and others having business dealings with it;

(ii) it shall not:

(A) declare or pay any dividends on, make other distributions, or return capital in respect of any of its outstanding shares or any other equity interests;

(B) reorganize, amalgamate or merge with any Person;

(C) split, combine or reclassify any of its outstanding shares or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for, any of its outstanding shares;

(D) issue, sell, pledge, reserve, set aside, dispose of or encumber, repurchase, redeem or otherwise acquire, any of its shares or any securities or obligations convertible into, exercisable or exchangeable for unissued shares or any rights, warrants, calls, subscriptions or options to acquire unissued shares, except pursuant to stock options, warrants or other convertible securities or debt obligations outstanding on the date hereof and, in the case of Compass, the issuance of Compass Shares in connection with the equity financing referred to in **Section 8.3(c)**;

(E) except in respect of the proposed equity financing referred to in **Section 8.3(i)**, enter into or announce any agreement or arrangement with respect to the sale, voting or repurchase of any of its shares or any security convertible into or exchangeable for such shares; or

(F) grant a security interest in, or any Encumbrance on, or in respect of, any of its material assets;

(iii) it shall not:

(A) incur any indebtedness for borrowed money or purchase money indebtedness or assume, guarantee or endorse any indebtedness, other than indebtedness under its existing credit facilities;

(B) make or commit to make any capital expenditures (including capital lease obligations), except, in the case of Compass, in connection with its ongoing oil and gas operations;

(C) except in the ordinary course of business in the case of Compass, acquire, agree to acquire, dispose of or agree to dispose of any corporation, partnership, joint venture or other business organization or division or acquire, agree to acquire, dispose of or agree to dispose of any assets;

(D) except in the ordinary course of business, (i) satisfy or settle any claims or liabilities; (ii) relinquish any contractual rights; or (iii) enter into, modify, or terminate any interest rate, currency or commodity swaps, hedges or other similar financial instruments;

(E) except in the ordinary course of business in the case of Compass, otherwise enter into any material operating lease or create any material mortgages, liens, security interests or other encumbrances on the property of such Party in connection with any indebtedness, other than Permitted Encumbrances;

(F) expend or commit to expend any amounts with respect to any operating expenses other than in the ordinary course of business; or

(G) otherwise acquire any assets, except, in the case of Compass, in the ordinary course of business;

(iv) it shall not:

(A) increase the amount of (or accelerate the payment or vesting of) any benefit or amount payable under, any benefit plan or any other contract, agreement, commitment, arrangement, plan or policy providing for compensation or benefits to any former, present or future director, officer or consultant of such Party except in the ordinary course, consistent with past practices;

(B) increase (or enter into any commitment or arrangement to increase) the compensation or benefits, or otherwise extend, expand or enhance any related rights, of any former, present or future director, officer or consultant of such Party except in the ordinary course, consistent with past practices;

(C) adopt, establish, enter into or implement any benefit plan, policy, severance or termination agreement providing for any form of benefits or other compensation to any former, present or future director, officer, employee or consultant of such Party or amend any benefit plan, policy, severance or termination agreement of such Party; or

(D) make any payment to any director, officer or consultant outside of their ordinary and usual compensation for services provided;

(v) it shall not amend or propose to amend its Constating Documents;

(vi) it shall not pay, discharge, satisfy, compromise or settle any material claims or material liabilities prior to the same being due;

(vii) it shall not make any changes to the existing accounting practices, methods and principles used or relied upon by such Party except as required by applicable Laws or by Canadian generally accepted accounting principles as advised by such Party's regular independent accountants;

(viii) it shall not make or rescind any material tax election;

(ix) it shall not (a) enter into any confidentiality or standstill agreement (other than in respect of confidentiality agreements entered into in the ordinary course of business), or (b) amend or release any third party from its obligations or grant any consent under, any confidentiality or standstill provision or fail to fully enforce any such provision;

(x) it shall not take or fail to take any action that would cause any of such Party's representations or warranties hereunder to be inaccurate or would be reasonably expected to prevent or materially impede or delay the Amalgamation; or

(xi) it shall not agree in writing or otherwise to take any of the actions described above in clauses (ii) through (x).

(b) Each Party shall promptly advise the other Parties in writing:

(i) of any event, condition or circumstance that might be reasonably expected to cause any representation or warranty of such Party contained in this Agreement to be inaccurate on the Effective Date (or, in the case of any representation or warranty made as of a specified date, as of such specified date); and

(ii) of any material breach by such Party of any covenant, obligation or agreement contained in this Agreement.

(c) Each of Sun Red and Compass will promptly advise the other in writing of the occurrence of any event, circumstance, occurrence or development having a Material Adverse Effect on such Party or any event, circumstance, occurrence or development that might reasonably be expected to have a Material Adverse Effect on such Party.

(d) Each of Compass, Sun Red and Newco will, in all material respects, keep the other Parties informed as to the material decisions required to be made or actions required to be taken with respect to the operation of its business, provided that such disclosure is not otherwise prohibited by reason of a confidentiality obligation owed to a third party for which a waiver is not obtainable.

(e) Each of Compass and Sun Red shall use reasonable commercial efforts to perform all obligations required to be performed by such Party under this Agreement, cooperate with the other Party in connection therewith, and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated in this Agreement and, without limiting the generality of the foregoing, each of Compass and Sun Red shall:

(i) use reasonable commercial efforts to satisfy or cause to be satisfied, as soon as reasonably practicable, all the conditions precedent set out in **Article 8** over which such Party may have control;

(ii) apply for and use reasonable commercial efforts to obtain, as soon as reasonably practicable, all appropriate Regulatory Approvals relating to such Party or any of its Subsidiaries and, in doing so, to keep the other Parties reasonably informed as to the status of any proceedings related to its efforts in that regard, including providing such other Parties with copies of all related applications and notifications, in draft form, in order for each such other Party to provide its reasonable comments;

(iii) use reasonable commercial efforts to comply promptly with all requirements imposed under applicable Laws on such Party or such Party's Subsidiaries with respect to the transactions contemplated hereby;

(iv) use reasonable commercial efforts to defend all lawsuits or other legal, regulatory or other proceedings to which it is a Party challenging or affecting this Agreement or the consummation of the Amalgamation;

(v) use reasonable commercial efforts to have lifted or rescinded any injunction or restraining order or other order that may adversely affect the ability of the Parties to consummate the Amalgamation;

(vi) effect all necessary registrations, filings and submissions of information required by Governmental Entities from such Party or any of such Party's Subsidiaries in connection with the Amalgamation; and

(vii) use reasonable commercial efforts to obtain all waivers, consents and approvals from other parties to loan agreements, leases or other contracts that are required to be obtained by such Party or any of such Party's Subsidiaries to consummate the Amalgamation where the failure to obtain the same would materially and adversely affect the ability of such Party or such Party's Subsidiaries to consummate the Amalgamation.

(f) Each of Compass and Sun Red shall provide to the other such reports on its operations and affairs as may reasonably be required from time to time by the other.

7.2 Other Covenants

(a) As soon as reasonably practicable following the date of the execution of this Agreement, and in any event not later than two Business Days following such date, Sun Red shall deliver to Compass executed Voting Agreements from all of the directors, officers and insiders (as such term is defined in the Securities Act) of Sun Red.

(b) Sun Red shall solicit from the Sun Red Shareholders proxies in favour of approval of the Sun Red Amalgamation Resolution.

(c) Sun Red shall use reasonable commercial efforts to cause all of the Sun Red Options to be exercised in full or terminated prior to the Effective Time on terms acceptable to Compass, acting reasonably.

(d) Sun Red will prepare and mail to the Sun Red Shareholders, in a timely and expeditious manner, and in any event not later than April 9, 2010, the Notice of Meeting and Circular, which will include the unanimous recommendation of the directors of Sun Red that Sun Red Shareholders vote in favour of the Sun Red Amalgamation Resolution, all in accordance with applicable Law.

(e) Compass will provide to Sun Red copies of Letters of Transmittal, which may be used by Sun Red Shareholders to exchange certificates representing their Sun Red Shares for certificate representing Compass Shares following completion of the Amalgamation and Sun Red will include copies of the Letters of Transmittal with the Circular and other materials mailed to Sun Red Shareholders pursuant to **Section 7.2(d)**.

(f) Sun Red shall not adjourn, postpone or cancel (or propose the adjournment, postponement or cancellation of) the Meeting without Compass' prior written consent, except as required by Laws or, in the case of adjournment, as may be authorized by the Sun Red Shareholders as expressed by a majority resolution.

(g) Until the earlier of the Effective Date and the termination of this Agreement pursuant to **Article 10**, Sun Red shall not sell or pledge or otherwise dispose of any of its assets.

(h) Sun Red shall promptly advise Compass of the number of Sun Red Shares in respect of which Sun Red has received notices of dissent or written objections to the Sun Red Amalgamation Resolution or the Amalgamation, and will promptly provide Compass with copies of such notices or written objections. Sun Red shall give Compass (i) prompt notice of any withdrawals of Dissent Rights, and receipt of any other instruments served pursuant to the ABCA in relation to Dissent Rights and (ii) the opportunity to participate in all negotiations and proceedings with respect to applicable Dissent Rights. Without the prior written consent of Compass, except as required by applicable Law, Sun Red shall not make any payment with respect to the exercise of any Dissent Rights or offer to settle or settle any Dissent Rights.

(i) Compass agrees that Sun Red shall be entitled to obtain directors' and officers' liability insurance on a "trailing" or "run-off" basis for current and former directors and officers of Sun Red (whether such insurance is maintained independently of or included under Compass' directors' and officers' insurance policy), covering claims made prior to or within six years from the Effective Date; provided that the cost of such coverage is not to exceed $5,000.

(j) Compass shall indemnify and save harmless Sun Red and the directors, officers and agents of Sun Red from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Sun Red, or any director, officer or agent thereof, may be subject or which Sun Red, or any director, officer or agent thereof, may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of any misrepresentation or alleged misrepresentation in the Circular relating to any information provided by Compass for inclusion in the Circular.

(k) Compass will make available to Sun Red, and consents to the use of, all financial statements and related financial information of Compass that may be required to be disclosed in the Circular or in other Sun Red documents required under applicable Law in connection with the Amalgamation and will request that its auditors, to the extent required under applicable Law, provide their consent to the use of their reports and use of their name in connection with any disclosure by Sun Red of such financial statements, provided that Sun Red agrees that it shall: (i) be liable to Compass for all losses, costs, damages and expenses whatsoever that Compass may suffer, sustain, pay or incur; and (ii) indemnify and save Compass and its directors, officers, employees and agents harmless from and against all claims, liabilities, actions, proceedings, demands, losses, costs, damages and expenses whatsoever that may be alleged against, threatened, brought against or suffered or incurred by Compass or any of its directors, officers, employees and agents as a result of the use of the financial information as provided in this **Section 7.2(k)**; provided that notwithstanding the foregoing: (A) the provisions of this **Section 7.2** shall not release or diminish Compass from any of its representations, warranties or covenants contained in this Agreement; and (B) the foregoing indemnity shall not apply to any financial information provided by Compass to Sun Red that contained a misrepresentation.

(l) Each Disclosing Party covenants and agrees to, upon request, use reasonable efforts to advise the Recipient of all documented purposes for which the Transferred Information was initially collected from or in respect of the individual to which such Transferred Information relates and all additional documented purposes where the Disclosing Party has notified the individual of such additional purpose, and where required by Law, obtained the consent of such individual to such use or disclosure.

(m) In addition to its other obligations hereunder, each Recipient covenants and agrees to:

(i) prior to the completion of the transactions contemplated herein, collect, use and disclose the Transferred Information solely for the purpose of reviewing and completing the transactions contemplated herein, including for the purpose of determining to complete such transactions;

(ii) after the completion of the transactions contemplated herein, collect, use and disclose the Transferred Information only for those purposes for which the Transferred Information was initially collected from or in respect of the individual to which such Transferred Information relates or for the completion of the transactions contemplated herein, unless (1) the Disclosing Party or Recipient have first notified such individual of such additional purpose, and where required by Laws, obtained the consent of such individual to such additional purpose, or (2) such use or disclosure is permitted or authorized by Law, without notice to, or consent from, such individual;

(iii) where required by Law, promptly notify the individuals to whom the Transferred Information relates that the transactions contemplated herein have taken place and that the Transferred Information has been disclosed to Recipient;

(iv) return or destroy the Transferred Information, at the option of the Disclosing Party, should the transactions contemplated herein not be completed; and

(v) notwithstanding any other provision herein, where the disclosure or transfer of Transferred Information to Recipient requires the consent of, or the provision of notice to, the individual to which such Transferred Information relates, to not require or accept the disclosure or transfer of such Transferred Information until the Disclosing Party has first notified such individual of such disclosure or transfer and the purpose for same, and where required by Laws, obtained the individual's consent to same and to only collect, use and disclose such information to the extent necessary to complete the transactions contemplated herein and as authorized or permitted by Laws.

7.3 Recommendation of the Sun Red Board of Directors

The Circular shall include the recommendation of the board of directors of Sun Red to the Sun Red Shareholders in respect of the Sun Red Amalgamation Resolution contemplated by **Section 4.3(c)**, and shall disclose the execution and delivery of the Voting Agreements. Notwithstanding any other provision of this Agreement, the board of directors of Sun Red may change its recommendation to the Sun Red Shareholders in respect of the Amalgamation from that set forth herein, as applicable, if such board concludes, in good faith, after receiving the advice of outside counsel that is reflected in the minutes of a meeting of the board, that such action is necessary for such board to act in a manner consistent with its fiduciary duty under applicable Laws and, in the event that **Sections 7.4** or **7.5** and **9.2** are applicable, if Sun Red and its board, as applicable, are in compliance with those sections and Sun Red has paid any fee applicable under **Section 9.2**. The foregoing shall not relieve Sun Red from its obligation to proceed to call and hold the Meeting, solicit proxies for the Meeting and hold the vote of Sun Red Shareholders in respect of the Amalgamation at the Meeting.

7.4 Sun Red Covenant Regarding Non-Solicitation

(a) Sun Red shall immediately terminate and cause to be terminated all solicitations, initiations, encouragements, discussions or negotiations with any Person conducted prior to the date hereof by Sun Red, or its officers, directors, employees, financial advisors, legal counsel, representatives or agents, with respect to any Acquisition Proposal. Sun Red shall promptly send a letter to each Person who has entered into a confidentiality agreement with Sun Red in connection with the consideration by any such Person of a business combination or similar transaction involving Sun Red, requiring all materials provided to such Person by Sun Red to be destroyed or returned to Sun Red or its agents or advisors and Sun Red shall use reasonable commercial efforts to ensure that such requests are honoured.

(b) Sun Red shall not, directly or indirectly, through any officer, director, representative or agent, solicit, initiate, invite or knowingly encourage (including by way of furnishing confidential information or entering into any form of agreement, arrangement or understanding) the initiation of or participate in, any inquiries or proposals regarding an Acquisition Proposal, provided that nothing contained in this **Section 7.4** or other provisions of this Agreement shall prevent the board of directors of Sun Red from considering, negotiating, approving or recommending to the Sun Red Shareholders an agreement in respect of a *bona fide* unsolicited written Acquisition Proposal: (i) in respect of which any required financing has been demonstrated to the satisfaction of the board of directors of Sun Red, acting in good faith, to be reasonably likely to be obtained; (ii) which is not subject to a due diligence access condition which allows access to the books, records and personnel of Sun Red or its representatives beyond 5:00 p.m. (Calgary time) on the fourth Business Day after the day on which access is afforded to the Person making the Acquisition Proposal (provided, however, the foregoing shall not restrict the ability of such Person to continue to review the information provided); (iii) in respect of which the board of directors of Sun Red determines (having consulted outside counsel) that in the exercise of its fiduciary duty it would be necessary for such board of directors to take such action in order to avoid breaching its fiduciary duties; and (iv) in respect of which the board of directors of Sun Red determines in good faith, if consummated in accordance with its terms, would result in a transaction more favourable to its shareholders than the Amalgamation (any such Acquisition Proposal that satisfies clauses (i) through (iv) above being referred to herein as a "**Superior Proposal**").

(c) Subject to **Section 7.4(b)**, Sun Red shall continue to refrain from participating in any discussions or negotiations with any Person (other than with Compass) with respect to any potential Acquisition Proposal. Sun Red agrees not to release any third party from any confidentiality agreement in respect of an Acquisition Proposal to which such third party is a party. Sun Red further agrees not to release any third party from any standstill agreement to which such third party is a party, unless such third party has made a Superior Proposal.

(d) Sun Red shall immediately notify Compass (orally and in writing) of any current or any future Acquisition Proposal of which Sun Red's directors or senior officers become aware, or any amendments to the foregoing, or any request for information relating to Sun Red in connection with an Acquisition Proposal or for access to the properties, books or records or for a list of the securityholders of Sun Red by any Person or entity. Such notice shall include a copy of all written communications and a description of the material terms and conditions of any proposal and shall provide such details of the proposal, inquiry or contact as Compass may reasonably request, including the identity of the Person and controlling Person, if any, making such proposal, inquiry or contact.

(e) If Sun Red receives a request for information from a Person who proposes an Acquisition Proposal in respect of Sun Red, and the board of directors of Sun Red determines that such proposal would be a Superior Proposal pursuant to

Section 7.4(b), assuming the satisfactory outcome of any due diligence inquiries undertaken in accordance with this **Section 7.4**, then, and only in such case, the board of directors may, subject to the execution of a confidentiality agreement containing a standstill provision substantially similar to that contained in the Sun Red Confidentiality Agreement (provided, however, the Person making the Acquisition Proposal shall not be precluded thereunder from making the Acquisition Proposal as proposed) and provided Sun Red sends a copy of any such confidentiality agreement to Compass immediately upon its execution, provide such Person with access, in accordance with this **Section 7.4**, to the same (but not more) information previously provided to Compass. Sun Red shall promptly provide Compass with a list of the information provided to the Person making the Superior Proposal.

(f) Sun Red shall ensure that its directors and officers and any financial advisors or other advisors or representatives retained by it are aware of the provisions of this **Section 7.4**, and it shall be responsible for any breach of this **Section 7.4** by its financial advisors or other advisors or representatives.

7.5 Notice of Superior Proposal Determination

Sun Red shall not accept, approve or recommend or enter into any agreement (except for a confidentiality agreement pursuant to **Section 7.4(e)**) in respect of an Acquisition Proposal on the basis that it constitutes a Superior Proposal unless: (i) it has provided Compass with a copy of the Acquisition Proposal document which has been determined to be a Superior Proposal, with such deletions as are necessary to protect confidential portions of such Acquisition Proposal document, provided that the material terms, conditions and the identity of the Person, and controlling Person, if any, making the Acquisition Proposal may not be deleted; (ii) three (3) Business Days (the "**Notice Period**") shall have elapsed from the later of the date on which Compass received notice of the determination to accept, approve or recommend an agreement in respect of such Acquisition Proposal, and the date Compass received a copy of the Acquisition Proposal document (provided that any due diligence access condition under such Acquisition Proposal has expired); (iii) it has paid to Compass the fee payable under **Section 9.2**; and (iv) it concurrently terminates this Agreement pursuant to **Section 10.2**. During the Notice Period, Sun Red shall provide a reasonable opportunity to Compass to consider, discuss and offer such adjustments in the terms and conditions of this Agreement as would enable Sun Red to proceed with its recommendation to the Sun Red Shareholders with respect to the Amalgamation; provided however that any such adjustment shall be at the discretion of Sun Red and Compass at the time. The board of directors of Sun Red will review in good faith any offer made by Compass to amend the terms of this Agreement in order to determine, in its discretion, as part of its exercising its fiduciary duties, whether the proposed amendments would, upon acceptance, result in such Superior Proposal ceasing to be a Superior Proposal. If the board of directors of Sun Red determines that the Superior Proposal would cease to be a Superior Proposal, it will so advise Compass and will accept the offer by Compass to amend the terms of this Agreement and Sun Red and Compass agree to take such actions and execute such documents as are necessary to give effect to the foregoing. If the board of directors of Sun Red continues to believe, in good faith and after consultation with financial advisors and outside counsel, that such Superior Proposal remains a Superior Proposal and therefore rejects any amendments offered by

Compass, Sun Red may, subject to the terms of this Agreement, including the payment of any applicable fee under **Section 9.2**, accept, approve, recommend or enter into an agreement, understanding or arrangement in respect of such Superior Proposal. Each successive material modification of any Acquisition Proposal or a Superior Proposal shall constitute a new Acquisition Proposal for the purposes of this **Section 7.5** and shall require a three (3) Business Day Notice Period from the date such amendment is communicated to Compass (other than an amendment to improve upon a Superior Proposal in respect of which Compass has been provided with an opportunity to amend the terms of this Agreement and such Superior Proposal has not ceased to be a Superior Proposal prior to the proposed amendment). Information provided hereunder shall constitute "Confidential Information" under the Sun Red Confidentiality Agreement.

7.6 Access to Information

(a) Subject to **Section 7.6(b)** and applicable Laws, upon reasonable notice to an officer of Sun Red, Sun Red shall afford the officers, employees, counsel, accountants and other authorized representatives and advisors of Compass access, during normal business hours from the date hereof and until the earlier of the Effective Date or the termination of this Agreement, to its properties, books, contracts and records as well as to its management personnel; provided that such access shall be provided on a basis that minimizes the disruption to the operations of Sun Red. During such period, Sun Red shall furnish promptly to Compass all information concerning Sun Red's business, properties and personnel as Compass may reasonably request.

(b) Compass acknowledges that certain information received pursuant to **Section 7.6(a)** will be non-public or proprietary in nature and that such information will be considered "Confidential Information" for purposes of the Sun Red Confidentiality Agreement.

7.7 Closing Matters

(a) Closing of the Amalgamation will occur at the offices of Bennett Jones LLP (4500, 855-2nd Street S.W., Calgary, Alberta) at or before 2:00 p.m. (Calgary time) (the "**Time of Closing**") on May 7, 2010 (the "**Closing Date**"), or on such other date or at such other time and place as the Parties may agree.

(b) Each of Compass, Newco and Sun Red shall deliver, at the Time of Closing, such customary certificates, resolutions and other closing documents as may be required by the other Parties hereto, acting reasonably, including any documents expressly contemplated by this Agreement.

ARTICLE 8
CONDITIONS

8.1 Mutual Conditions Precedent

The respective obligations of Compass, Sun Red and Newco to complete the Amalgamation and to file the Articles of Amalgamation and such other documents as are required to be filed under the ABCA to give effect to the Amalgamation shall be subject to the satisfaction of each of the following conditions at or prior to the Effective Date:

(a) the Sun Red Amalgamation Resolution shall have been approved by not less than 66⅔% of the votes cast by Sun Red Shareholders who attend the Meeting in person or by proxy;

(b) the Newco Amalgamation Resolution shall have been approved by Compass in its capacity as the Newco Shareholder;

(c) all required Regulatory Approvals shall have been obtained or received from the Persons having jurisdiction in the circumstances;

(d) there shall not be in force any order or decree restraining or enjoining the consummation of the Amalgamation and there shall be no proceeding, whether of a judicial or administrative nature or otherwise, in progress that relates to the Amalgamation that would, if successful, result in an order or ruling that would preclude consummation of the Amalgamation in accordance with the terms and conditions hereof or thereof;

(e) there shall not exist any prohibition at Law against the completion of the Amalgamation;

(f) all consents and approvals under any agreements to which Sun Red or Compass is a party or by which either of them is bound that are required for the completion of the Amalgamation shall have been obtained or received;

(g) none of the consents, orders, regulations or approvals required to permit the Amalgamation shall contain terms or conditions or require undertakings or security deemed unsatisfactory or unacceptable by any of the Parties acting reasonably; and

(h) this Agreement shall not have been terminated under **Article 10**.

The foregoing conditions are for the mutual benefit of Compass, Sun Red and Newco and may only be waived in writing, in whole or in part, by Compass, Sun Red and Newco. If any such condition precedent is not satisfied or waived as aforesaid on or before the date required for the satisfaction thereof (provided such non-satisfaction did not arise from the acts or omissions of such Party), any of Compass, Sun Red or Newco may, in addition to the other remedies it may have at Law or in equity, rescind and terminate this Agreement by written notice to the other Parties.

8.2 Additional Conditions Precedent to the Obligations of Sun Red

The obligations of Sun Red to complete the Amalgamation and the obligation of Sun Red to file Articles of Amalgamation jointly with Newco and such other documents as are required to be filed under the ABCA to give effect to the Amalgamation shall also be subject to the satisfaction of each of the following conditions at or prior to the Effective Date or such other time as is specified below:

(a) Compass shall, in all material respects, have performed or complied with each of its obligations, covenants and agreements hereunder to be performed and complied with by it on or before the Effective Time (or any earlier time specified);

(b) each of the representations and warranties of Compass set out in this Agreement shall be true and correct in all material respects on the date of this Agreement and as of the Effective Date as if made on and as of such date except:

(i) representations and warranties of Compass made as of a specified date, which shall be true and correct in all material respects as of such specified date;

(ii) as affected by transactions contemplated or permitted by this Agreement; or

(iii) where the failure of such representations and warranties to be true and correct in all respects would not be reasonably expected to have a Material Adverse Effect on Compass;

(c) since the date of this Agreement, there shall have been no change, event or occurrence that would reasonably be expected to have a Material Adverse Effect on Compass;

(d) Sun Red shall have received a certificate of a senior officer of Compass addressed to Sun Red and dated the Effective Date confirming that the conditions in **Sections 8.2(a)** and **(b)** have been satisfied;

(e) since the date of this Agreement, no action, suit or proceeding shall have been commenced before or by any Governmental Entity or by any other Person against Compass that would, if successful, have a Material Adverse Effect on Compass in the opinion of Sun Red, acting reasonably;

(f) Sun Red, and its agents and professional advisors, shall be permitted to conduct and complete due diligence reviews of Compass to confirm, among other things, the assets, liabilities and outstanding share capital of Compass. The scope and results of such due diligence investigations shall be satisfactory to Sun Red in its sole discretion and Sun Red shall have confirmed the results of its due diligence inquiries in writing to Compass by 4:30 p.m. (Calgary time) on March 12, 2010;

(g) TSXV shall have granted conditional approval to the Amalgamation as a Qualifying Transaction (as that term is defined in the TSXV Corporate Finance Manual) of Sun Red; and

(h) the board of directors of Compass shall have adopted all necessary resolutions and all other necessary corporate action shall have been taken by Compass to permit the consummation of the Amalgamation.

The foregoing conditions are for the benefit of Sun Red and may be waived in writing, in whole or in part, by Sun Red at any time. If any such condition precedent is not satisfied or waived by Sun Red on or before the date required for the satisfaction thereof (provided such non-satisfaction did not arise from the acts or omissions of Sun Red), Sun Red may, in addition to the other remedies it may have at Law or in equity, rescind and terminate this Agreement by written notice to Compass and Newco.

8.3 Additional Conditions Precedent to the Obligations of Compass

The obligations of Compass and Newco to complete the Amalgamation and the obligation of Newco to file Articles of Amalgamation jointly with Sun Red and such other documents as are required to be filed under the ABCA to give effect to the Amalgamation shall also be subject to the satisfaction of each of the following conditions at or prior to the Effective Date or such other time as is specified below:

(a) Sun Red shall, in all material respects, have performed or complied with each of its obligations, covenants and agreements hereunder to be performed and complied with by it on or before the Effective Time (or any earlier time specified);

(b) each of the representations and warranties of Sun Red set out in this Agreement shall be true and correct in all material respects on the date of this Agreement and as of the Effective Date as if made on and as of such date except:

(i) representations and warranties of Sun Red made as of a specified date, which shall be true and correct in all material respects as of such specified date;

(ii) as affected by transactions contemplated or permitted by this Agreement; or

(iii) where the failure of such representations and warranties to be true and correct in all respects would not be reasonably expected to have a Material Adverse Effect on Sun Red;

(c) there shall be no material adverse change in the condition of Sun Red from January 1, 2010 to the Closing Date and for purposes of this paragraph, "material adverse change" shall mean a change in the condition of Sun Red resulting in an impairment in value of at least $30,000 (but excluding reasonable transaction costs relating to the Amalgamation and agreed to by Compass, which are not to exceed $45,000);

(d) Compass shall have received a certificate of a senior officer of Sun Red addressed to Compass and dated the Effective Date confirming that the conditions in **Sections 8.3(a)** and **(b)** have been satisfied;

(e) Compass and Newco, and their agents and professional advisors, shall be permitted to conduct and complete due diligence reviews of Sun Red to confirm, among other things, the assets, liabilities and outstanding share capital of Sun Red. The scope and results of such due diligence investigations shall be satisfactory to Compass and Newco in their sole discretion and Compass and Newco shall have confirmed the results of their due diligence inquiries in writing to Sun Red by 4:30 p.m. (Calgary time) on March 12, 2010;

(f) the receipt of any necessary third party consents or approvals (in form and substance reasonably satisfactory to Compass and Newco), including conditional listing approval from TSXV (without any requirement for sponsorship) in respect of the listing of the outstanding Compass Shares on TSXV and the listing of the Compass Shares to be distributed in connection with the Amalgamation;

(g) in connection with the listing of the Compass Shares on TSXV, Compass shall be designated as a Tier 1 issuer by TSXV;

(h) Compass being satisfied, acting reasonably, that the number of existing shareholders of Sun Red who will hold at least one board lot of Compass Shares upon completion of the Amalgamation will be not less than 100;

(i) completion by Compass of an equity financing transaction pursuant to which Compass will distribute, by way of private placement (to accredited investors resident in British Columbia, Alberta, Saskatchewan and Ontario (and such other jurisdictions as Compass may determine in its sole discretion)), not less than $3 million of Compass Shares, at a price of not less than $1.50 per share;

(j) Compass shall have received an executed resignation and release from each of the directors and officers of Sun Red in form and substance satisfactory to Compass;

(k) Compass shall have received the executed Voting Agreements contemplated by **Section 7.2(a)** from Sun Red on or prior to the date that is two Business Days following the date hereof;

(l) since the date of this Agreement, no action, suit or proceeding shall have been taken before or by any Governmental Entity or by any other Person against Sun Red that would, if successful, have a Material Adverse Effect on Sun Red in the opinion of Compass, acting reasonably;

(m) all of the Sun Red Options shall have been exercised in full or terminated on terms acceptable to Compass, acting reasonably;

(n) on or prior to April 9, 2010, Sun Red shall have called the Meeting for a date not later than May 7, 2010, at which the Sun Red Shareholders will be asked to consider, and if thought fit, pass the Sun Red Amalgamation Resolution and such additional resolutions as Compass and Newco may reasonably stipulate in writing on or prior to the date that is five business days prior to the scheduled mailing of the Circular;

(o) Sun Red shall have mailed the Circular to the Sun Red Shareholders in accordance with applicable Law not later than April 9, 2010, and shall have convened the Meeting not later than May 7, 2010;

(p) the board of directors of Sun Red and the Sun Red Shareholders shall have adopted all necessary resolutions and all other necessary corporate action shall have been taken by Sun Red to permit the consummation of the Amalgamation;

(q) the assets of Sun Red shall, as at the Closing Date be free and clear of any and all liens, charges, security interests, purchase options or other claims or encumbrances of any kind or nature;

(r) as of the Closing Date, Sun Red shall have cash of not less than $90,000 and positive working capital of not less than $50,000 (in each case excluding reasonable transaction costs relating to the Amalgamation and agreed to by Compass, which are not to exceed $45,000);

(s) the aggregate expenses of Sun Red incurred in connection with the Amalgamation (including fees and disbursements payable to advisors to Sun Red) shall not exceed $45,000;

(t) Sun Red shall not have paid any dividends or made any other distributions or payments on account of bonuses or other remuneration to any of its officers, directors or employees prior to the Closing Date;

(u) the number of shares of Sun Red, if any, in respect of which Dissent Rights are exercised by the holder's thereof as contemplated by **Section 3.1** shall not exceed 2% of the total number of issued and outstanding shares of Sun Red;

(v) Sun Red shall have no employees as of the Closing Date and no liabilities of any nature or kind whatsoever in respect of employees;

(w) no Person that is resident in the United States holds, legally or beneficially, any Sun Red Shares; and

(x) the aggregate number of Sun Red Shares outstanding immediately prior to the Effective Time shall not exceed 8,092,540.

The foregoing conditions are for the benefit of Compass and Newco and may be waived in writing, in whole or in part, by Compass and Newco at any time. If any such condition precedent is not satisfied or waived by Compass and Newco on or before the date required for the satisfaction thereof (provided such non-satisfaction did not arise from the acts or omissions of Compass), Compass and Newco may, in addition to the other remedies they may have at Law or in equity, rescind and terminate this Agreement by written notice to Sun Red.

8.4 Merger of Conditions

The conditions set out in **Sections 8.1**, **8.2** and **8.3** shall be conclusively deemed to have been satisfied, waived or released on the filing by Sun Red and Newco of the Articles of Amalgamation and such other documents as are required to be filed under the ABCA to give effect to the Amalgamation and the issuance by the Registrar of a certificate of amalgamation.

ARTICLE 9
LEGAL FEES AND OTHER FEES AND EXPENSES

9.1 General

Subject to **Section 9.2**, hereof, Compass, Newco and Sun Red will each bear their own expenses in connection with this Agreement and the transactions contemplated hereby, whether or not the Amalgamation is consummated. Neither Compass nor Newco shall be responsible for any brokerage or other finder's fees to any broker or agent engaged by Sun Red in respect of the transactions contemplated by this Agreement. Compass shall be fully responsible for any brokerage or finder's fee to any broker or agent engaged by Compass or Newco in respect of the transactions contemplated by this Agreement.

9.2 Expense Fees

Provided Sun Red is not in default of its obligations under this Agreement, if all of the conditions to completion of the Amalgamation in favor of Compass are satisfied or waived and the Amalgamation is not completed as a result of action or inaction on the part of Compass, Compass will pay to Sun Red an amount equal to the lesser of: (i) the aggregate legal and accounting costs incurred by Sun Red in connection with the Amalgamation; and (ii) $45,000. Provided Compass is not in default of its obligations under this Agreement, if all of the conditions to completion of the Amalgamation in favor of Sun Red are satisfied or waived and the Amalgamation is not completed as a result of action or inaction on the part of Sun Red, Sun Red will pay to Compass an amount equal to the lesser of: (i) the aggregate legal and accounting costs incurred by Compass in connection with the Amalgamation; and (ii) $45,000. As well, if Sun Red determines to accept a Superior Proposal, Sun Red will promptly pay to Compass an amount equal to the lesser of: (i) the aggregate legal and accounting costs incurred by Compass in connection with the Amalgamation; and (ii) $45,000.

9.3 Liquidated Damages

Each of the Parties acknowledges that the amounts set out in **Section 9.2** represent liquidated damages, which are a genuine pre-estimate of certain damages which the Party entitled to such amount will suffer or incur as a result of the event giving rise to the applicable payment, and are not penalties. Each Party irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive.

ARTICLE 10
AMENDMENT AND TERMINATION

10.1 Amendment

This Agreement may not be amended except by mutual written agreement of the Parties, provided that after approval by the Sun Red Shareholders no amendment may be made that by Law requires further approval or authorization by the Sun Red Shareholders without such further approval or authorization.

10.2 Termination

This Agreement may be terminated and the Amalgamation abandoned at any time prior to the Effective Time (notwithstanding any approval of the Sun Red Amalgamation Resolution by the Sun Red Shareholders):

(a) by the mutual written consent of Compass and Sun Red;

(b) by Compass or Sun Red, by written notice to the other Party, if such Party determines, acting reasonably, that the consummation of the Amalgamation would be illegal or otherwise prohibited by Law, or if any judgment, injunction, order or decree of a court of competent jurisdiction enjoining Newco or Sun Red from consummating the Amalgamation shall be entered and such judgment, injunction, order or decree shall have become final and nonappealable;

(c) by Compass or Sun Red, by written notice to the other Party, if the Effective Date does not occur on or prior to May 18, 2010, or such other date as Compass and Sun Red may agree; provided, however, that the right to terminate this Agreement under this **Section 10.2(c)** shall not be available to any Party whose failure to perform any material covenant, agreement or obligation hereunder has been the cause of, or resulted in, the failure of the Effective Date to occur on or before such date;

(d) by Compass, by written notice to Sun Red, if:

(i) the board of directors of Sun Red fails to recommend or withdraws, modifies or changes its approval or recommendation in respect of the Amalgamation in a manner adverse to Compass or Newco,

(ii) the Sun Red Amalgamation Resolution is not submitted for approval at the Meeting,

(iii) Sun Red does not call the Meeting on or prior to April 9, 2010;

(iv) Sun Red does not mail the Circular (and related materials) to the Sun Red Shareholders on or prior to April 9, 2010, provided that the failure to mail the Circular on or before such date is not attributable to a breach by Compass of any of its obligations under **Section 2.3**, or

(v) the Meeting is not held on or prior to May 7, 2010, or such later date to which the Meeting shall have been adjourned or postponed (if agreed to in writing by Compass), provided that the failure to hold the Meeting on or prior to such date is not attributable to a breach by Compass of any of its obligations under **Section 2.3**;

(e) by Compass or Sun Red, by written notice to the other Party, if at the Meeting the requisite vote of the Sun Red Shareholders to approve the Sun Red Amalgamation Resolution shall not be obtained;

(f) by Compass, Newco or Sun Red, by written notice to the other Parties, if any of the conditions precedent set out in **Section 8.1** have not been complied with or waived on or before the date required for performance thereof; provided, however, that no Party may rely on the failure to satisfy any of the conditions set out in **Section 8.1** if the condition would have been satisfied but for a failure by such Party to comply with its obligations hereunder;

(g) by Sun Red, by written notice to Compass and Newco, if any of the conditions precedent set out in **Section 8.2** hereof has not been complied with or waived on or before the date required for performance thereof; provided, however, that Sun Red may not rely on the failure to satisfy any of the conditions set out in **Section 8.2** if the condition would have been satisfied but for a material failure by Sun Red to comply with its obligations hereunder;

(h) by Sun Red, by written notice to Compass and Newco, if Compass has breached any of its representations or warranties herein, such breach would result in the failure to satisfy the condition set out in **Section 8.2(b)** and such breach is not curable or, if curable, is not cured within 20 days after notice thereof has been received by Compass;

(i) by Compass or Newco, by written notice to Sun Red, if any of the conditions precedent set out in **Section 8.3** has not been complied with or waived on or before the date required for performance thereof; provided, however, that Compass may not rely on the failure to satisfy any of the conditions set out in **Section 8.3** if the condition would have been satisfied but for a material failure by Compass to comply with its obligations hereunder;

(j) by Compass or Newco, by written notice to Sun Red, if Sun Red has breached any of its representations or warranties herein, such breach would result in the failure to satisfy the condition set out in **Section 8.3(b)** and such breach is not curable or if curable, is not cured within 20 days after notice thereof has been received by Sun Red;

(k) by Compass, by written notice to Sun Red if Sun Red advises Compass that Sun Red proposes to accept a Superior Proposal; or

(l) by Sun Red, by written notice to Compass if Sun Red accepts a Superior Proposal and pays to Compass the fee payable by Sun Red pursuant to **Section 9.2**.

10.3 Effect of Termination

In the event of the termination of this Agreement as provided in **Section 10.2**, this Agreement shall forthwith have no further force or effect and none of the Parties shall have any further obligations or liabilities hereunder except as contemplated by **Sections 7.2(j), 7.2(k)** and **Article 9**, which provisions, together with **Sections 11.4**, **11.6**, **11.8** and **11.10**, will survive any such termination. For greater certainty, the termination of this Agreement shall not relieve any Party from its obligations under the Compass Confidentiality Agreement or the Sun Red Confidentiality Agreement. Nothing in this **Section 10.3** shall relieve any Party from liability for any breach of this Agreement that occurred prior to the date of termination.

ARTICLE 11
GENERAL

11.1 Investigation

No investigation by a Party and its representatives and advisors shall mitigate, diminish or affect the representations and warranties of any other Party set out in this Agreement.

11.2 Notices

Any notice, consent, waiver, direction or other communication required or permitted to be given under this Agreement by a Party to any other Party shall be in writing and may be given by delivering or sending the same by facsimile transmission or by hand delivery addressed to the Party to whom the notice is to be given at its address for service herein. Any such notice, consent, waiver, direction or other communication shall, if delivered, be deemed to have been given and received on the date on which it was delivered to the address provided herein (if a Business Day and, if not, the next succeeding Business Day) and if sent by facsimile transmission be deemed to have been given and received at the time of receipt unless actually received after 5:00 p.m. (Calgary time) at the point of receipt in which case it shall be deemed to have been given and received on the next Business Day. If this Agreement requires specification of the time (not just the date) of delivery, the time of delivery shall be deemed to be: (a) if delivered by fax, the time noted on the fax header, unless actually received after 5:00 p.m. (Calgary time) at the point of receipt in which case it shall be deemed to have been given and received at 8:30 a.m. (Calgary time) on the next Business Day; and (b) if delivered, the time that delivery actually occurs.

11.3 Addresses

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

(a) in the case of Compass or Newco:

Compass Petroleum Ltd.
600, 603 – 7th Avenue S.W.
Calgary, Alberta
T2P 2T5

Attention: Chief Executive Officer
Facsimile: (403) 261-1924

(b) in the case of Sun Red:

Sun Red Capital Corporation
Suite 210 – 815 10th Avenue S.W.
Calgary, Alberta T2R 0B4

Attention: Chief Executive Officer
Facsimile: (403) 245-2723

or at such other address of which any Party may, from time to time, advise the other Parties by notice in writing given in accordance with the foregoing.

11.4 Assignment

No Party may assign this Agreement or any of its rights, interests or obligations under this Agreement (whether by operation of Law or otherwise) without the prior written consent of the other Parties.

11.5 Binding Effect

This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective successors and permitted assigns.

11.6 Third Party Beneficiaries

(a) Except as noted in **Sections 11.6(b)** and **(c)** below, nothing in this Agreement, express or implied, shall be construed to create any third party beneficiaries.

(b) The provisions of **Section 7.2(j)** are: (i) intended for the benefit of the directors, officers and agents of Sun Red, as and to the extent applicable in accordance with its terms, and shall be enforceable by each of such Persons and his or her heirs, executors, administrators and other legal representatives (collectively, the "**Sun Red Third Party Beneficiaries**") and Sun Red shall hold the rights and benefits of **Section 7.2(j)** in trust for and on behalf of the Sun Red Third Party Beneficiaries and Sun Red hereby accepts such trust and agrees to hold the benefit of and enforce the performance of such rights and benefits on behalf of the Sun Red Third Party Beneficiaries; and (ii) in addition to, and not in substitution for, any other rights that any of the Sun Red Third Party Beneficiaries may have by contract or otherwise.

(c) The provisions of **Section 7.2(k)** are: (i) intended for the benefit of the directors, officers, employees and agents of Compass, as and to the extent applicable in accordance with its terms, and shall be enforceable by each of such Persons and his or her heirs, executors, administrators and other legal representatives (collectively, the "**Compass Third Party Beneficiaries**") and Compass shall hold the rights and benefits of **Section 7.2(k)** in trust for and on behalf of the Compass Third Party Beneficiaries and Compass hereby accepts such trust and agrees to hold the benefit of and enforce performance of such rights and benefits on behalf of the Compass Third Party Beneficiaries; and (ii) in addition to, and not in substitution for, any other rights that any of the Compass Third Party Beneficiaries may have by contract or otherwise.

11.7 Waiver and Modification

Each of Sun Red, Compass and Newco may: (i) extend the time for performance of any of the covenants or obligations of any other Party; (ii) waive compliance by any other Party with any of the covenants or agreements of such Party or Parties or the fulfillment of any conditions to its own obligations contained herein; or (iii) waive inaccuracies in any of the representations or warranties of any other Party provided to it hereunder or in any document delivered to it by any other Party pursuant to this Agreement; provided, however, that any such extension or waiver shall be valid only if set out in an instrument in writing signed on behalf of such Party, and, unless otherwise provided in the applicable written waiver, will be limited to the specific covenant, obligation, agreement, representation or warranty, as applicable, so waived.

11.8 No Personal Liability

(a) No director, officer or agent of Sun Red shall have any personal liability whatsoever to Compass or Newco under this Agreement or any other document delivered in connection with the Amalgamation on behalf of Sun Red.

(b) No director, officer, employee or agent of Compass or Newco shall have any personal liability whatsoever to Sun Red under this Agreement or any other document delivered in connection with the Amalgamation on behalf of Compass or Newco.

11.9 Further Assurances

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

11.10 Public Announcements, Etc.

From the date hereof until the Effective Date or such earlier date on which this Agreement may be terminated pursuant to **Section 10.2**, each of Compass and Sun Red shall advise and consult and cooperate with the other prior to issuing, or permitting any of its directors, officers, employees or agents to issue any news release or otherwise make any public statements with respect to this Agreement or the Amalgamation or making any filings with any Governmental Entity with respect thereto. Neither Compass nor Sun Red shall issue any such news release or make any such statement or filing prior to such consultation, except as may be required to ensure compliance with applicable Law, including, for greater certainty, in order to discharge continuous disclosure obligations under applicable securities Laws and only after using reasonable commercial efforts to consult with the other, taking into account the time constraints to which it is subject as a result of applicable securities Laws.

11.11 Governing Law; Consent to Jurisdiction

This Agreement shall be governed by and be construed in accordance with the laws of Alberta and the federal laws of Canada applicable in Alberta and shall be treated in all respects as an Alberta contract. Each Party hereby irrevocably attorns to the jurisdiction of the courts of Alberta in respect of all matters arising under or in relation to this Agreement.

11.12 Entire Agreement

This Agreement and the other agreements and other documents referred to herein constitute the entire agreement between the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, among the Parties, except that this Agreement does not supersede the Compass Confidentiality Agreement or the Sun Red Confidentiality Agreement, each of which shall remain in effect in accordance with its terms.

11.13 Time of Essence

Time is of the essence of this Agreement.

11.14 Severability

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

11.15 Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same agreement.

WITNESS WHEREOF the Parties hereto have executed this Agreement as of the date first above written.

COMPASS PETROLEUM LTD.

Per: (signed) "*Yook L. Mah*"
Yook L. Mah
Chairman and Chief Executive Officer

COMPASS ACQUISITION CORP.

Per: (signed) "*Yook L. Mah*"
Yook L. Mah
President

SUN RED CAPITAL CORPORATION

Per: (signed) "*Greg Hansen*"
Greg Hansen
Chief Financial Officer