

ACQUISITION AGREEMENT

Between

ANGLE ENERGY INC.

and

STONEFIRE ENERGY CORP.

November 19, 2009

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SCHEDULE A CONDITIONS TO THE OFFER

SCHEDULE B FORM OF LOCK-UP AGREEMENT FOR SELLING
SHAREHOLDERS

ACQUISITION AGREEMENT

THIS AGREEMENT made the 19th day of November, 2009

BETWEEN:

ANGLE ENERGY INC., a corporation existing under the laws of the Province of Alberta (hereinafter referred to as “**Angle**”)

- and -

STONEFIRE ENERGY CORP., a corporation existing under the laws of the Province of Alberta (hereinafter referred to as “**Stonefire**”)

RECITALS:

- A. Angle is prepared to make an offer to acquire all of the Stonefire Shares, subject to the terms and conditions of this Agreement, and Stonefire is desirous of entering into this Agreement for such purpose.
- B. The board of directors of Stonefire, after receiving outside legal and financial advice and receiving an opinion from its financial advisor that the consideration per Stonefire Share offered pursuant to the Offer is fair, from a financial point of view, to the holders of Stonefire Shares, has determined that it would be advisable and in the best interests of Stonefire and its shareholders to co-operate with Angle, take all reasonable action to support the Offer and unanimously recommend acceptance of the Offer to Stonefire Shareholders, all on the terms and subject to the conditions of this Agreement.

NOW THEREFORE IN CONSIDERATION OF the mutual covenants hereinafter contained and other good and valuable consideration (the receipt and adequacy whereof is hereby acknowledged), the Parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement (including the Recitals hereto), unless there is something in the subject matter or context inconsistent therewith:

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

“**affiliate**” means, with respect to any Person, any other Person, directly or indirectly controlling, controlled by or under common control with, such first Person;

“**Agreement**”, “**this Agreement**”, “**herein**”, “**hereto**”, and “**hereof**” and similar expressions refer to this Acquisition Agreement (and not to any particular Article or

Section hereof), as the same may be amended or supplemented from time to time and, where applicable, to the appropriate Schedules hereto;

“**Assets**” means the Petroleum and Natural Gas Rights, the Tangibles, Surface Interests and Miscellaneous Interests;

“**BOE**” means barrels of oil equivalent of natural gas and crude oil;

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

“**Conditional Exercise**” has the meaning set forth in Section 2.4(c);

“**Confidentiality Agreement**” means the Confidentiality Agreement between Stonefire and Angle dated September 18, 2009;

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

“**diluted basis**” means, with respect to the number of outstanding Stonefire Shares at any time, such number of outstanding Stonefire Shares calculated assuming that all outstanding Stonefire Options are exercised;

“**Disclosure Documents**” means all documents and information filed by Stonefire on SEDAR since December 31, 2008;

“**Effective Time**” means the time that Angle shall have acquired ownership of and paid for at least the Minimum Required Shares pursuant to the terms of the Offer;

“**Employee Loan**” means the employee loan made by Stonefire to [name removed] in the amount of \$50,000;

“**Employee Obligations**” means any obligations or liabilities of Stonefire or its subsidiaries to pay any amount to or on behalf of its officers, directors, consultants, contractors, or employees, other than for salary, bonuses under their existing bonus arrangements, cash payments upon exercise of outstanding stock appreciation rights, vacation pay, overtime and directors’ fees in the ordinary course, in each case in amounts consistent with historic practices and, without limiting the generality of the foregoing, Employee Obligations shall include the obligations of Stonefire or its subsidiaries to directors, officers, consultants, contractors or employees for any payment on termination, notice of termination, termination pay or severance pay pursuant to the common law, any statute (including the *Employment Standards Code* (Alberta)), employment or other agreement, voluntary or involuntary executive severance and termination agreements or pursuant to Stonefire’s severance policy as identified, described and disclosed by Stonefire to Angle on the date hereof;

“**Environmental Laws**” means applicable federal, provincial, municipal and local laws, regulations, orders, government decrees, ordinances and regulatory approvals with respect to environmental, health and safety matters;

“**Evaluation Data**” has the meaning set forth in Section 8.42;

“Exchange Act” has the meaning set forth in Section 8.47;

“Expiry Time” means the Initial Expiry Time unless the Offer has been extended, in which case it means the expiry time of the Offer as extended from time to time;

“Fairness Opinion” means the opinion of Cormark Securities Inc. addressed to the board of directors of Stonefire that the consideration to be received by Stonefire Shareholders under the Offer is fair, from a financial point of view, to the Stonefire Shareholders;

“Final Resolution Date” has the meaning set forth in Section 5.3(a);

“GLJ” means GLJ Petroleum Consultants Ltd.;

“Governmental Entity” means: (i) any multinational, federal, provincial, 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) any subdivision, agent, commission, board or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

“Initial Expiry Time” means 5:00 p.m. (Calgary time) on the first Business Day which falls after the 35th day following the Mailing Date of the Offer Documents to the shareholders of Stonefire (where the first day of this period is the day immediately following the day of mailing);

“Latest Mailing Time” has the meaning set forth in Section 2.1(a);

“Lands” means the lands of Stonefire, including but not limited to those lands identified, described and disclosed by Stonefire to Angle on the date hereof, and includes the Petroleum Substances within, upon or under those lands, together with the right to explore for and recover the Petroleum Substances, to the extent those rights are granted by the Leases;

“Laws” means all laws, by-laws, rules, regulations, orders, rulings, ordinances, protocols, codes, guidelines, policies, notices, directions and judgments or other requirements of any Governmental Entity, including applicable Securities Laws and the rules and regulations of any stock exchange or quotation system on which the securities of Stonefire are listed;

“Leases” means, collectively, the various leases, reservations, permits, licences, certificates and other documents of title by virtue of which the holder is entitled to explore for, drill for, recover, remove or dispose of Petroleum Substances forming part of the Lands, being the leases, reservations, permits, licenses and other documents of title of Stonefire as identified, described and disclosed by Stonefire to Angle on the date hereof;

“Liens” means any lien, mortgage, charge, hypothec, pledge, security interest, prior assignment, option, royalty, net profit interest, warrant, lease, sublease, licence, right to possession, encumbrance, claim, right or restriction which affects, by way of a conflicting

ownership interest or otherwise, Stonefire's right, title or interest in or to any particular Lands or Leases;

"Lock-up Agreements" means the agreements in the form attached hereto as Schedule B from each of the current directors, officers and managers of Stonefire and the spouses of such directors and officers that own, directly or indirectly, or exercise control or direction over, Stonefire Shares, such directors, officers, managers and spouses holding, in the aggregate, approximately 45% of the issued and outstanding Stonefire Class A Shares (or 48% assuming exercise of 1,574,000 Stonefire Options for Stonefire Class A Shares, being all of the "in-the-money" Stonefire Options as at the date hereof);

"Mailing Date" means the date the Offer Documents are sent to Stonefire Shareholders and all of the Persons to whom the Offer is made;

"Material Adverse Change" or **"Material Adverse Effect"** means any change, effect, event, occurrence or state of facts that, individually or in the aggregate, is or could reasonably be expected to be material and adverse to the financial condition, business or results of operations of Stonefire and its subsidiaries taken as a whole; provided that no change, effect, event, occurrence or state of facts relating to any of the following shall constitute (or be taken into account in determining the occurrence of) a Material Adverse Change or Material Adverse Effect: (i) general political, economic, weather or financial conditions in North America; (ii) any change in credit, banking, currency, securities, commodities or capital markets generally in North America (including, without limitation, the prices of crude oil and natural gas); (iii) conditions generally affecting the oil and gas industry as a whole; (iv) changes in Laws or in the interpretation, application or non-application of Laws by Governmental Entities; or (v) a matter that has prior to the date hereof been publicly disclosed or otherwise disclosed in writing to the other party; but, in the case of each of the foregoing clauses (excluding clause (v)) only to the extent such matter does not have a materially disproportionate effect on Stonefire and its subsidiaries, taken as a whole, relative to other entities operating in the oil and gas industry;

"Meeting" has the meaning set forth in Section 6.2(b);

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

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

"Miscellaneous Interests" means all right, title, interest and estate of Stonefire in and to all property, rights and assets, whether contingent or absolute, legal or beneficial, present or future, vested or not (other than the Petroleum and Natural Gas Rights and the Tangibles), to the extent pertaining to the Petroleum and Natural Gas Rights, the Lands or lands pooled or unitized therewith and the Tangibles and to which Stonefire is entitled at the Take-up Date, including the following property, rights and assets: (a) contracts,

agreements, books, records and documents to the extent they relate to the Petroleum and Natural Gas Rights, the wells, the Tangibles or items listed in item (c) or (d) of this definition or any rights in relation thereto including the Title and Operating Documents and any rights of Stonefire and its affiliates in relation thereto; (b) Surface Interests; (c) all production, engineering and other information relating directly to the Petroleum and Natural Gas Rights, the Lands or the Tangibles which Stonefire has in its custody or to which Stonefire has access or entitlement to access from third parties, excluding any such information that is subject to confidentiality restrictions or restrictions on transferability; (d) permits, licences, approvals and other authorizations, crossing privileges or other rights pursuant to which the wells or the Tangibles are accessed, maintained or operated relating to any Petroleum and Natural Gas Rights or Tangibles, or the use thereof; and (e) the wells;

“**Non-Completion Fee**” has the meaning set forth in Section 4.1;

“**Notice**” has the meaning set forth in Section 14.1;

“**Notice Date**” has the meaning set forth in Section 5.3(a);

“**Offer**” has the meaning set forth in Section 2.1(a);

“**Offer Documents**” has the meaning set forth in Section 2.3(a);

“**Operations**” means any and all operations on or in respect of the Lands or lands pooled or unitized therewith or conducted by or for the benefit of Stonefire or relating to Petroleum Substances produced therefrom or the Tangibles;

“**Outside Date**” has the meaning set forth in Section 13.1(i);

“**Party**” means Stonefire or Angle, as applicable, and “**Parties**” means both Stonefire and Angle together;

“**Permitted Encumbrances**” means: (a) the terms and conditions of the title and operating documents, including (i) any existing potential alteration of the Petroleum and Natural Gas Rights because of a payout conversion or farm-in, farm-out or other such agreement in accordance with their existing terms; and (ii) any penalties or forfeiture that applies to the Petroleum and Natural Gas Rights in accordance with their existing terms at the date hereof because of Stonefire’s election not to participate in a particular operation; (b) easements, rights of way, servitudes or other similar rights, including, without limitation, rights of way for highways, railways, sewers, drains, gas or oil pipelines, gas or water mains, electric, light, power, telephone or cable television towers, conduits, poles, wires or cables; (c) any rights reserved to or vested in any Governmental Entity to levy taxes or to control or regulate any of Stonefire’s assets in any manner, including, without limitation, the right to control or regulate production rates and the conduct of operations; (d) statutory exceptions to title and the reservations, limitations and conditions in any grants or transfers from the Crown of any of the Lands or interests therein; (e) undetermined or inchoate liens incurred or created in the ordinary course of business as security for Stonefire’s share of the costs and expenses of the development or operation of any of its assets, which costs and expenses are not delinquent as of the

Expiry Time; (f) Liens granted in the ordinary course of business to a public entity, municipality, or Governmental Entity respecting operations pertaining to any of Stonefire's assets; (g) Liens for taxes, assessments and governmental charges which are not due or delinquent or if due, the validity of which are being diligently contested in good faith; (h) the right reserved to or vested in any Governmental Entity by the terms of any lease, license, franchise, grant or permit or by any applicable Law to terminate such lease, license, franchise, grant or permit or to require annual or other periodic payments as a condition of the continuance thereof; (i) the right reserved to or vested in any Governmental Entity to levy Taxes on Petroleum Substances or the income or revenue attributable thereto; (j) mechanics', builders', or materialmen's Liens in respect of services rendered or goods supplied, but only insofar as such Liens relate to goods or services for which payment is not due or the validity of which is being diligently contested in good faith; (k) trust obligations incurred in the ordinary course of business that do not reduce the interests attributed to Stonefire in the Lands; (l) the burdens, encumbrances, royalties, gross overriding royalties, net profits interest, adverse claims (including reductions and conversions) and penalties set forth in materials made available to Angle; (m) all rights of first refusal, pre-emptive purchase rights and similar rights; and (n) the terms and conditions of any credit facilities with one or more Canadian chartered banks and all related documents thereto and all security granted in relation thereto;

"Person" includes an individual, body corporate, partnership (limited or general), trust, trustee, executor or similar official, Governmental Entity or any other entity;

"Petroleum and Natural Gas Rights" means the entire right, title, estate and interest of Stonefire in and to the Lands, including: (a) rights whether fee simple interests, leasehold interests or other interests to drill for and produce, save and market Petroleum Substances from the Lands and to the Leases to the extent they apply to the Lands; (b) royalties, net profits interests and similar interests entitling the holder thereof to a share of the Petroleum Substances produces from the Land or lands pooled or unitized therewith or to a payment calculated by reference to the quantity of such production, the proceeds from the sale thereof or the profits therefrom; and (c) the rights to acquire the foregoing;

"Petroleum Substances" means petroleum, natural gas and all related hydrocarbons, including all liquid hydrocarbons and all other mineral substances, whether liquid, solid or gaseous and whether hydrocarbons or not (except coal, but including sulphur and hydrogen sulphide), produced in association with such petroleum, natural gas or related hydrocarbons or found in any water;

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

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

"Returns" means all reports, estimates, declarations of estimated tax, information statements and returns relating to, or required to be filed in connection with, any Taxes;

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

“Securities Authorities” means the Toronto Stock Exchange or TSX Venture Exchange, as applicable, and the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada;

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

“SEDAR” means the System for Electronic Document Analysis and Retrieval;

“Stock Option Plan” means the stock option plan of Stonefire;

“Stonefire Class A Shares” means class A common shares in the capital of Stonefire;

“Stonefire Class B Shares” means class B common shares in the capital of Stonefire;

“Stonefire Employment Agreements” means, collectively, those employment agreements dated January 1, 2008 entered into between Stonefire and each of Richard Dahl, John Ramescu, Ronald Williams, Fred Laudel, Bruce Shepard and Darren Kisser, true and complete copies of which have been made available to Angle;

“Stonefire Facilities” means those gathering and compression facilities required for the gathering and compression of Petroleum Substances produced under the authority of the Leases at Stonefire’s Edson, McLeod, Goodwin, Bronson, Pine Creek, Kaybob South, Groat, Leaman, Windfall and Niton properties as of the date of this Agreement;

“Stonefire Governing Documents” means the certificate and articles of incorporation of Stonefire dated July 29, 2005, the certificate of amendment and registration of restated articles of Stonefire dated February 10, 2006, and by-law number 1 of Stonefire adopted and confirmed on July 29, 2005;

“Stonefire Options” means the outstanding options to acquire Stonefire Class A Shares granted under the Stock Option Plan;

“Stonefire Reserves Report” has the meaning set forth in Section 8.24;

“Stonefire Shareholders” means the registered holders of Stonefire Shares from time to time;

“Stonefire Shares” means, collectively, all of the Stonefire Class A Shares and all of the Stonefire Class B Shares;

“subsidiary” means, with respect to any Person: (i) any body corporate of which securities or other ownership interests having voting power to elect a majority of the board of directors (or other Persons performing similar functions) are at the time, directly or indirectly, owned by such Person; (ii) any limited liability company of which such Person, directly or indirectly, is the managing member or otherwise has the power to direct the policies, management and affairs of such company; or (iii) any other Person in which such Person, directly or indirectly, owns at least a majority of the outstanding voting interests of such other Person or otherwise has the power to direct the policies, management and affairs of such Person;

“Superior Take-over Proposal” means any written, unsolicited, bona fide Take-over Proposal not obtained in breach of Article 5 to acquire the Stonefire Shares (or not less than 90% of the assets of Stonefire on a consolidated basis) which (a) Stonefire’s board of directors determines in good faith after consultation with its outside legal counsel and financial advisors, is reasonably likely to be completed on its terms without undue delay taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by such Take-over Proposal and, (b) if consummated, would result in a transaction more favourable from a financial point of view to Stonefire Shareholders than the transaction contemplated by this Agreement (as determined by the board of directors of Stonefire in accordance with Section 5.2(a)(vi) after giving effect to any changes to the terms of this Agreement proposed by Angle in response to such Take-over Proposal pursuant to Section 5.3); (c) is not subject to any due diligence and/or access condition extending more than five Business Days from the time that Stonefire commences providing information; (d) includes, where the Take-over Proposal relates to the acquisition of Stonefire Shares, a condition that the proposing party shall acquire no less than 66 2/3% of the Stonefire Shares (calculated on a diluted basis), which condition cannot be waived by Stonefire, the proposing party or any other Person; and (e) exceeds the Purchase Consideration (including as such may be amended pursuant to Section 5.3);

“Surface Interests” means all right, title, interest and estate of Stonefire to enter upon, use, occupy and enjoy the surface of the Lands, any land with which the same have been pooled or unitized, any land upon which the wells or the Tangibles are located and any land used to gain access thereto, in each case, for purposes related to the use or ownership of the Petroleum and Natural Gas Rights or the Tangibles or the wells or Operations, whether the same are held by right of way, or otherwise;

“Take-over Proposal” means a written or verbal proposal or offer (whether binding or not) by a third party (other than Angle) to acquire in any manner, directly or indirectly, beneficial ownership of all or a material portion of the assets of Stonefire or to acquire in any manner, directly or indirectly, beneficial ownership or control or direction over more than 20% of the outstanding voting shares of Stonefire, whether by a take-over bid, an arrangement, amalgamation, a merger, consolidation, joint venture, partnership or other business combination, by means of a sale of shares in the capital of Stonefire, tender offer or exchange offer or similar transaction involving Stonefire, including without limitation, any single or multi-step transaction or series of related transactions which is structured to permit such third party to acquire beneficial ownership of all or a material portion of the assets of Stonefire or to acquire in any manner, directly or indirectly, more than 20% of the outstanding voting shares of Stonefire (other than the transactions contemplated by this Agreement) and any public announcement of an intention to do any of the foregoing from any Person other than Angle and its affiliates;

“Take-up Date” means the date that Angle first takes up Stonefire Shares pursuant to the Offer;

“Tangibles” means, collectively, all right, title, interest and estate of Stonefire, whether absolute or contingent, legal or beneficial, present or future, vested or not, in and to: (a) any gathering and compression facilities located on the Lands; (b) all other equipment systems, plants and facilities used or useful in producing Petroleum Substances from the

Lands or lands pooled or unitized therewith or gathering, compressing, dehydrating, scrubbing, processing, treating, separating, extracting, collecting, refrigerating, measuring, storing, transporting or shipping such Petroleum Substances; and (c) all other tangible property and assets used or intended for use in producing, storing or injecting Petroleum Substances;

“**Taxes**” means all taxes, however denominated, including any interest, penalties or other additions that may become payable in respect thereof, imposed by any Governmental Entity, which taxes shall include, without limiting the generality of the foregoing, all income or profits taxes (including, but not limited to, federal income taxes and provincial income taxes), capital, payroll and employee withholding taxes, employment insurance, social insurance taxes, sales and use taxes, ad valorem taxes, value added taxes, excise taxes, franchise taxes, gross receipts taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, insurance taxes, environmental taxes, transfer taxes, workers’ compensation and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing, which Stonefire is required to pay, withhold or collect;

“**Third Party Beneficiaries**” has the meaning set out in Section 11.4; and

“**Title and Operating Documents**” means all agreements, contracts, instruments and other documents that govern the ownership or use of the Assets or relate to Permitted Encumbrances or Operations including: (a) the Leases and other agreements and instruments pursuant to which the Petroleum and Natural Gas Rights were issued, granted or created; (b) permits, licenses, approvals and authorizations; (c) operating agreements, unit agreements, polling agreements, trust declarations, participation agreements, farm-in agreements, farm-out agreements and royalty agreements; (d) agreements that create or relate to Surface Interests; (e) transportation, processing and sale contracts; (f) gas gathering and common stream agreements; (g) agreements for the construction, ownership and/or operation of Tangibles; (h) trust declarations and other documents and instruments that evidence Stonefire’s interests in the Assets; and (i) trust declarations pursuant to which Stonefire holds interest in the Lands or lands pooled or unitized herewith in trust for other Persons.

1.2 Singular, Plural, etc.

Words importing the singular number include the plural and vice versa and words importing gender include the masculine, feminine and neuter genders.

1.3 Currency

All dollar references herein are to Canadian dollars.

1.4 Headings, etc.

The division of this Agreement into Articles and Sections, the provision of a table of contents and the insertion of recitals and headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement and, unless otherwise stated, all references in this Agreement or in the Schedules to Articles, Sections

and Schedules refer to Articles, Sections and Schedules of and to this Agreement or of the Schedules in which such reference is made.

1.5 Date for any Action

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

1.6 Governing Law

This Agreement shall be governed by and interpreted in accordance with the Laws of Alberta and the Laws of Canada applicable therein.

1.7 Attornment

The Parties hereby irrevocably and unconditionally consent to and submit to the jurisdiction of the courts of the Province of Alberta for any actions, suits or proceedings arising out of or relating to this Agreement or the matters contemplated hereby (and agree not to commence any action, suit or proceeding relating thereto except in such courts) and further agree that service of any process, summons, notice or document by delivery in the manner set forth in Section 14.1 shall be effective service of process for any action, suit or proceeding brought against either Party in such court. The Parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the matters contemplated hereby in the courts of the Province of Alberta and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding so brought has been brought in an inconvenient forum.

1.8 Injunctive Relief

The Parties agree that the remedy at Law for any breach of the provisions of this Agreement will be inadequate and that the Party that is not in breach, on any application to a court, shall be entitled to temporary and permanent injunctive relief, specific performance and any other equitable relief against the Party or Parties in breach of the provisions of this Agreement.

1.9 Including

Where the word “including” or “includes” is used in this Agreement, it means “including (or includes) without limitation”.

1.10 No Strict Construction

The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

1.11 Statutory References

A reference to a statute includes all rules and regulations made pursuant to such statute and, unless otherwise specified, the provisions of any statute or regulation or rule which amends, supplements or supersedes any such statute or any such regulation or rule.

1.12 Incorporation of Schedules

Schedules A and B attached hereto and described below shall, for all purposes hereof, form an integral part of this Agreement:

Schedule A - Conditions to the Offer

Schedule B - Form of Lock-up Agreement for Selling Shareholders

ARTICLE 2 THE OFFER

2.1 The Offer

- (a) Subject to the terms and conditions of this Agreement, Angle shall mail to registered holders of Stonefire Shares and each holder of Stonefire Options, as soon as reasonably practicable and in any event before 11:59 p.m. (Calgary time) on December 4, 2009 (unless the Offer Documents are required under applicable Securities Laws to be prepared in the French language, in which case this date shall be December 7, 2009) (such time or such date, or such other time and date to which the Parties may agree herein referred to as the “**Latest Mailing Time**”), an offer to purchase all of the outstanding Stonefire Shares, which includes all Stonefire Shares which may become outstanding after the date of the Offer on exercise of Stonefire Options, on the basis of \$2.00 per Stonefire Class A Share and \$10.00 per Stonefire Class B Share (the “**Purchase Consideration**”) which offer shall be made in accordance with Securities Laws and be subject only to the conditions set forth in Schedule A hereto (the “**Offer**”, which term shall include any amendments or variations to, or extensions of, such Offer, including, without limitation, increasing the consideration, removing or waiving any condition (other than the Minimum Condition which shall not be waived or amended to a number less than a majority of the issued and outstanding Stonefire Shares on a diluted basis) or extending the date by which Stonefire Shares may be tendered, all in accordance with this Agreement). The Offer Documents shall be prepared in English and, if required under the applicable Securities Laws, the French language. In the event that the mailing of the Offer is delayed by reason of: (i) an injunction or order made by a Governmental Entity; (ii) Angle not having obtained any required regulatory approval which is necessary to permit Angle to make the Offer; or (iii) the failure by Stonefire to provide Angle with the lists of securityholders in accordance with Section 2.3(b), then, provided such injunction or order is being contested or appealed, or such regulatory approval is being actively sought, or Stonefire is making good faith efforts to obtain such lists, as applicable, then the Latest Mailing Time shall be extended for a period ending on the earlier of the date which is 15 days from the date of this Agreement and the

second Business Day following the date on which such injunction or order ceases to be in effect or such waiver, consent or approval or lists are obtained and delivered to Angle, as applicable.

- (b) Angle may make the Offer itself or through one or more direct or indirect wholly-owned subsidiaries, or any combination thereof. In the event that any of those entities makes or participates in the making of the Offer, the term “**Angle**” as used herein shall include all of those entities, other than in Article 7 where the term Angle shall not include such entities, but Angle shall continue to be liable to Stonefire for any default by any such entity in the performance of any of Angle’s obligations hereunder.
- (c) The Offer shall expire on the Initial Expiry Time, except that the Offer may be extended by Angle in accordance with the provisions of Section 2.1(e) if the conditions thereto set forth in Schedule A are not satisfied or waived on or by the date and time at which the Offer would otherwise expire. In the event that any regulatory approval, order, notice, consent or waiting period contemplated by paragraph (b) of Schedule A is not obtained or has not expired, as applicable, prior to the time that the Offer is scheduled to expire, unless such approval has been expressly denied by a non-appealable decision of a Governmental Entity, Angle will extend the Offer for successive period, each of not less than 10 days past the Initial Expiry Time or the Expiry Time, as the case may be, pending receipt of such approval; provided that Angle shall not be required to make any extensions which would exceed the Outside Date.
- (d) Subject to the satisfaction or waiver of the conditions set forth in Schedule A, Angle shall as soon as possible and in any event within three Business Days of the Expiry Time, take-up and pay for all Stonefire Shares validly deposited (and not properly withdrawn) pursuant to the Offer.
- (e) It is agreed that Angle may, in its sole discretion:
 - (i) waive any term or condition of the Offer for its benefit provided that if Angle takes up and pays for any Stonefire Shares, it shall acquire not less than the Minimum Required Shares; or
 - (ii) vary any term or condition of the Offer, provided that Angle shall not without the prior written consent of Stonefire: (A) reduce the number of Stonefire Shares for which the Offer is made; (B) decrease or change the form of the consideration to be paid for each Stonefire Share; (C) reduce the Minimum Condition below the Minimum Required Shares or increase the Minimum Condition; or (D) amend the Offer, impose additional conditions or modify the conditions to the Offer in a manner that is, in either case, materially adverse to the holders of Stonefire Shares, provided that a waiver, in whole or in part, of any condition of the Offer (other than a reduction of the Minimum Condition below the Minimum Required Shares) or an extension of the Offer shall not constitute an amendment of the Offer or a modification of the conditions to the Offer that is, in either case, materially adverse to the holders of Stonefire Shares;

- (f) The obligation of Angle to make the Offer shall be conditional upon the following:
- (i) this Agreement has not been terminated pursuant to Section 13.1;
 - (ii) no Material Adverse Change with respect to Stonefire shall have occurred, and no other event shall have occurred or circumstance shall exist which would make it impossible or impractical to satisfy one or more of the conditions of the Offer described in Schedule A;
 - (iii) as at the Mailing Date:
 - (A) Stonefire shall not have breached, in any material respect, or failed to comply with, any of its covenants or obligations under this Agreement; and
 - (B) no representation or warranty of Stonefire contained in this Agreement shall have become inaccurate except for such inaccuracies which individually or collectively shall not have caused or could not reasonably be expected to cause a Material Adverse Change or otherwise prevent or materially delay the completion of the Offer beyond the Outside Date;
 - (iv) the board of directors of Stonefire shall not have withdrawn, qualified, modified or changed any of its recommendations, approvals, resolutions, or determinations referred to in Section 2.2;
 - (v) the board of directors of Stonefire shall have prepared and by unanimous vote approved in final form and printed for distribution and delivered to Angle for mailing with the Offer Documents, the directors' circular referred to in Section 2.2 and such directors' circular shall be in a form and content satisfactory to Angle, acting reasonably;
 - (vi) Stonefire shall have provided Angle with lists of registered (and beneficial, where available) holders of Stonefire Shares and the names and addresses of all holders of Stonefire Options in accordance with Section 2.3;
 - (vii) no cease trade order, injunction or other prohibition from a Governmental Entity having jurisdiction over Angle shall exist against Angle making the Offer, mailing the Offer Documents or the taking up or paying for Shares deposited under the Offer;
 - (viii) the due execution and delivery to Angle, concurrently with execution of this Agreement, of the Lock-up Agreements from all of the current directors, officers and managers of Stonefire and the spouses of such directors and officers that own, directly or indirectly, or exercise control or direction over, Stonefire Shares, which Lock-up Agreements shall not

have been breached in any material respect or terminated by any such director, officer, manager or spouse; and

- (ix) Angle and Stonefire shall have received all regulatory approvals necessary for the making of the Offer and the mailing of the Offer Documents.

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

2.2 Stonefire Directors' Circular

- (a) Stonefire hereby consents to the Offer and represents and warrants to Angle that its board of directors has received a verbal opinion from Cormark Securities Inc., dated as of the date of this Agreement, and to the effect that, as of such date and subject to the review of the take-over bid circular of Angle and the directors' circular and the assumptions and considerations set forth in such opinion, the consideration to be received by the holders of Stonefire Shares is fair, from a financial point of view, to such holders and, after consultation with its legal and financial advisors, has determined: (i) the Offer is fair, from a financial point of view, to the holders of Stonefire Shares and is in the best interests of Stonefire and the holders of Stonefire Shares; and (ii) to unanimously recommend acceptance of the Offer by the holders of Stonefire Shares, subject to Section 5.3, provided that the Offer does not differ in any material respect from the Offer contemplated by this Agreement, as amended, if applicable, in accordance with the terms of this Agreement. Subject to the provisions contained herein, Stonefire covenants to cooperate with Angle and to take all reasonable action to support the Offer. Stonefire hereby covenants and agrees that it may only withdraw, modify or change its recommendation with respect to the Offer as permitted under Section 5.3, or in the event of termination of this Agreement under Section 13.1.
- (b) Provided Angle has made the Offer in accordance with this Agreement, Stonefire shall prepare and file a directors' circular in accordance with Securities Laws. The directors' circular will set forth (among other things) the unanimous recommendation of the board of directors of Stonefire as described above and will include the written Fairness Opinion from Cormark Securities Inc. dated as of the date of this Agreement that contains those matters set forth in Section 2.2(a). Stonefire shall provide Angle with a draft copy of the directors' circular prior to mailing and shall provide Angle with a reasonable opportunity to review and provide any comments thereon, recognizing that whether or not such comments are appropriate will be determined by Stonefire, acting reasonably. Stonefire shall mail the directors' circular on the same date that Angle mails a take-over bid circular respecting the Offer to the holders of Stonefire Shares and Stonefire shall include the directors' circular in the same package as the Offer Documents. The directors' circular shall disclose the obligations of directors and officers to deposit their respective Stonefire Shares pursuant to the Offer.

2.3 Offer Documents

- (a) Within the time periods required by law, Angle shall file or cause to be filed with the appropriate Securities Authorities an offer to purchase and take-over bid circular and the related letter of transmittal and notice of guaranteed delivery pursuant to which the Offer will be made (collectively, the “**Offer Documents**”). Angle shall provide Stonefire with a draft copy of the Offer Documents prior to mailing and shall provide Stonefire with a reasonable opportunity to review and provide any comments thereon, recognizing that whether or not such comments are appropriate will be determined by Angle, acting reasonably. The Offer Documents and any amendments and supplements thereto, when filed with Securities Authorities and when mailed to holders of Stonefire Shares and Stonefire Options shall contain all information which is required to be included therein in accordance with the Act and any applicable Canadian provincial securities laws, and any other applicable securities laws (collectively, the “**Securities Laws**”) and the terms of the Offer contemplated by the Offer Documents shall comply with this Agreement.
- (b) Stonefire agrees to provide such reasonable assistance as Angle or its agents may reasonably request in connection with communicating the Offer Documents (and any amendments and supplements thereto) to the holders of the Stonefire Shares and to such other Persons as are entitled to receive the Offer Documents under Securities Laws, including providing or causing to be provided lists of the holders of Stonefire Shares (including depository participant break-out lists) and of the holders of Stonefire Options and other securities convertible into or exchangeable for, or other rights to acquire, Stonefire Shares (to the extent known by Stonefire) including names, addresses and numbers of Stonefire Shares or such other securities as soon as possible after the date of this Agreement but in any event within three Business Days following the execution and delivery of this Agreement (as well as providing mailing labels) and updates or supplements thereto from time to time as may be requested reasonably by Angle.

2.4 Stock Options

- (a) Angle acknowledges that the consummation of the transactions contemplated by this Agreement will result in a change of control for purposes of section 16 of the Stock Option Plan and section 7 of the applicable stock option agreements and that all awards pursuant to the Stock Option Plan will be accelerated thereunder and, in that regard, Angle acknowledges that:
 - (i) all Stonefire Options shall be vested so as to permit exercise on or before the Effective Time; and
 - (ii) holders of Stonefire Options may, prior to the Effective Time, elect to exercise all of such securities, upon payment to Stonefire of the exercise price therefor and receive Stonefire Shares in respect of the number of Stonefire Options.

- (b) Stonefire agrees to use its reasonable commercial efforts to ensure all Persons holding Stonefire Options exercise those securities and tender all Stonefire Shares issued in connection therewith to the Offer, or terminate or otherwise surrender their rights to exercise any of those securities (including pursuant to the “cashless exercise” described in Section 2.4(d)), prior to the Expiry Time.
- (c) It is agreed by Angle that all Stonefire Options which have been tendered to Stonefire for exercise, conditional on Angle taking up Stonefire Shares under the Offer (“**Conditional Exercise**”), shall be deemed to have been exercised concurrently with the take-up of Stonefire Shares by Angle. Furthermore, Angle shall accept as validly tendered under the Offer as of the Take-up Date all Stonefire Shares which are to be issued pursuant to the Conditional Exercise, provided that the holders of such options indicate that such shares are tendered pursuant to the Offer. Angle agrees that Stonefire may enter into arrangements satisfactory to Angle with holders of Stonefire Options to facilitate the Conditional Exercise.
- (d) Stonefire will agree with all holders of Stonefire Options that, in the event a holder of Stonefire Options elects to exercise the “cashless exercise” feature contained in section 3 of the applicable stock option agreements prior to the Effective Time, Stonefire will pay in cash to such holders, for each Stonefire Class A Share purchasable under a Stonefire Option and in lieu of such holders exercising their Stonefire Options, the positive difference, if any, between the purchase price for a Stonefire Class A Share under the Offer and the exercise price under such Stonefire Options, such payment to be made on the Take-up Date in exchange for the surrender for termination of all of such holder’s Stonefire Options.
- (e) Angle agrees to cooperate with Stonefire to facilitate the exercise of Stonefire Options and the deposit of all Stonefire Shares issued in connection therewith prior to the Expiry Time pursuant to the Offer.

ARTICLE 3

PUBLICITY AND SOLICITATION

3.1 Publicity

Stonefire and Angle shall each issue a press release, each of which shall be in a mutually agreed form, each Party acting reasonably, as soon as practicable after the signing of this Agreement. Stonefire shall file or cause to be filed, where required, a copy of its press release and a material change report with the Securities Authorities having jurisdiction over Stonefire as soon as possible after the issuance of its press release (and in any event within the time periods set out in applicable Securities Laws).

Each of Angle and Stonefire shall receive the prior consent, not to be unreasonably withheld, of the other Party prior to issuing or holding, or permitting any of its subsidiaries (if applicable), directors, officers, employees or agents to issue or hold, any press release or other written statement to the press or any press conference or other public communication with respect to this Agreement or the transactions contemplated

hereby other than the press releases provided for in the first paragraph of this Section 3.1. Angle and Stonefire may issue a press release or other written statement prior to such consent on the advice of counsel that such action is required by applicable law or by obligations pursuant to any listing agreement with a stock exchange, but only after using its commercially reasonable efforts to consult the other Party taking into account the time constraints to which it is subject as a result of such law or obligation.

3.2 Solicitation

Angle may appoint an agent to act as soliciting dealer, dealer manager or information agent (the “**Dealer Manager**”) in connection with the Offer and to solicit acceptances of the Offer. The Dealer Manager may, if appointed, form a soliciting dealer group comprised of members of the Investment Dealers Association of Canada to solicit acceptances of the Offer at Angle’s expense.

ARTICLE 4 ARRANGEMENTS RESPECTING FEES

4.1 Non-Completion Fee

If at any time after the date of this Agreement (and provided there is no material breach or non-performance by Angle of a material provision of this Agreement):

- (a) the board of directors of Stonefire shall or shall resolve to: (1) fail to make any of its recommendations, approvals, resolutions or determinations referred to in Section 2.2; or (2) withdraw, qualify, modify or change any of its recommendations, approvals, resolutions or determinations referred to in Section 2.2 in a manner adverse to Angle; or (3) fail to publicly reaffirm its recommendation of the Offer within 10 days of the public announcement or commencement of another Take-over Proposal (or if the Offer is scheduled to expire prior to the end of such 10 day period, as soon as practicable and in any event prior to the scheduled expiry of the Offer) or the intention to make or propose any Take-over Proposal; or
- (b) the board of directors of Stonefire shall recommend or propose publicly to recommend that holders of Stonefire Shares deposit their Stonefire Shares under, vote in favour of or otherwise accept, a Take-over Proposal or shall resolve to do so; or
- (c) this Agreement is terminated by Stonefire pursuant to Section 13.1(g) in order to permit Stonefire to enter into an agreement with any Person in respect of a Superior Take-over Proposal (other than a confidentiality agreement referred to in Section 5.2(c));
- (d) Stonefire or its Representatives wilfully breaches in any material respect the provisions of Article 5; or
- (e) a Take-over Proposal is publicly announced or is publicly proposed, offered or made to the shareholders of Stonefire prior to the Expiry Time, and at the Expiry

Time all of the conditions to the Offer, except for the Minimum Condition, have been satisfied or waived and such Take-over Proposal (as originally proposed or amended) is completed within six months of the Expiry Time;

then Stonefire shall, upon the occurrence of any such event and in any event within two Business Days pay as liquidated damages the amount of \$2,250,000 (the “**Non-Completion Fee**”) to Angle, being 3% of the total enterprise value of Stonefire. On the date of the earliest such event, Stonefire shall be deemed to hold such sum in trust for Angle. Such payment shall be made in immediately available funds to an account designated by Angle. For greater certainty, only one such Non-Completion Fee shall be payable by Stonefire pursuant to this Section 4.1 and the obligation of Stonefire under this Section 4.1 shall survive termination of this Agreement, regardless of the circumstances thereof.

For the purposes of this Section 4.1, an announcement by the board of directors of Stonefire that it does not have all of the information necessary to properly evaluate the Take-over Proposal and is reaffirming and maintaining its recommendation of the Offer pending receipt and analysis of additional information shall not constitute an event within the ambit of Sections 4.1(a) or (b) or trigger any obligations to make the payment contemplated by this Section, provided that the board of directors of Stonefire, not less than five days before the Expiry Time, publicly reaffirms and maintains its recommendation of the Offer to holders of Stonefire Shares without the foregoing qualification in respect of receipt and analysis of additional information relating to the Take-over Proposal.

4.2 Liquidated Damages

Angle acknowledges that the Non-Completion Fee set out in Section 4.1 is a payment of liquidated damages which is a genuine pre-estimate of the damages which Angle will suffer or incur as a result of the event giving rise to such damages and the resultant termination of this Agreement and is not a penalty. Stonefire irrevocably waives any right it may have to raise a defence that any such liquidated damages are excessive or punitive. Angle agrees that the payment of the amount pursuant to Section 4.1 is the sole monetary remedy of Angle in respect of the events giving rise to the payment of the Non-Completion Fee. Nothing herein shall preclude any Party from seeking specific performance, injunctive or other equitable relief to enforce or cause the enforcement of this Agreement or the Confidentiality Agreement, without the necessity of posting bond or security in connection therewith. In the event of fraud, wilful breach or intentional misrepresentation, then Stonefire shall not be entitled to rely on this Section 4.2 to limit or reduce any liability or damages which may be awarded pursuant to any action, suit or proceeding which may arise or be obtained, as the case may be, in connection with such fraud, wilful breach or intentional misrepresentation.

ARTICLE 5 NO SOLICITATION

5.1 Cease Existing Discussions

Stonefire shall immediately cease and cause to be terminated all existing discussions, solicitations, initiations, encouragements and negotiations, if any, with any parties (other than Angle or its affiliates) conducted on or before the date of this Agreement by Stonefire or its officers, directors, employees, financial advisors, legal counsel, representatives or agents (“**Representatives**”) with respect to any actual or potential Take-over Proposal. Stonefire shall not release any third party from any confidentiality or standstill agreement to which Stonefire and such third party is a party or amend any of the foregoing. Stonefire shall promptly and in any event within two Business Days following the entering into of this Agreement cause its financial advisor to send a letter to all parties who have entered into confidentiality agreements with Stonefire pertaining to any actual or potential Take-over Proposal and shall use commercially reasonable efforts to have all materials provided to such parties by Stonefire, or prepared by such parties in respect of Stonefire, destroyed or returned to Stonefire or its Representatives as the case may be in accordance with the terms of the confidentiality agreements with such parties. Stonefire shall promptly advise Angle orally and in writing of any response or action (actual, anticipated, contemplated or threatened) by any recipient of such letter which could hinder, prevent or delay or otherwise adversely affect the completion of the Offer.

5.2 Covenants Regarding Non-Solicitation

- (a) On and after the date of this Agreement, except as expressly contemplated in this Article 5, Stonefire shall not, directly or indirectly, through any of its Representatives or otherwise:
 - (i) solicit, assist, initiate, knowingly encourage or otherwise facilitate (including by way of furnishing information or entering into any form of agreement, arrangement or understanding) any inquiries or proposals regarding a Take-over Proposal or potential Take-over Proposal;
 - (ii) participate in any negotiations or discussions regarding, or provide any confidential information with respect to or otherwise cooperate in any way with, any Take-over Proposal or potential Take-over Proposal;
 - (iii) withdraw, modify, qualify or change or propose publicly to withdraw, modify, qualify or change, in any manner adverse to Angle, the approval or recommendation of the board of directors of Stonefire of this Agreement or the Offer;
 - (iv) approve or recommend any Take-over Proposal or potential Take-over Proposal; or
 - (v) cause Stonefire to enter into any agreement related to any Take-over Proposal or potential Take-over Proposal;

provided, however, that notwithstanding the preceding part of this Section 5.2(a):

- (vi) nothing shall prevent the board of directors of Stonefire from considering or participating in discussions or negotiations in respect of or responding to an unsolicited bona fide Take-over Proposal from any Person (but, subject to Section 5.3, not approve, recommend, accept or enter into any agreement, arrangement or understanding with respect to such Take-over Proposal), provided that: (A) the board of directors of Stonefire determines in good faith, after consultation with financial and outside legal advisors, that the Take-over Proposal is a Superior Take-over Proposal; (B) the board of directors of Stonefire after consultation with outside legal advisors, determines in good faith it is consistent with its fiduciary duties for the board of directors of Stonefire to take such action; and (C) prior to entering into discussions or negotiations with or responding to any Person regarding the Superior Take-over Proposal, Stonefire notifies Angle of its determination that such Take-over Proposal constitutes a Superior Take-over Proposal.
- (b) Promptly, and in any event within one Business Day after the receipt by Stonefire or by its Representatives of any Take-over Proposal or proposal, inquiry or offer that could reasonably be expected to lead to a Take-over Proposal or any amendments to such Take-over Proposal, or any request for non-public information relating to Stonefire or any subsidiary, Stonefire shall notify Angle at first orally and then in writing of any such circumstance. Any such notice shall include such information as is then available to Stonefire including, as applicable, the identity of the Person making the Take-over Proposal or inquiry and a description of the terms and conditions of any such Take-over Proposal or amendment or inquiry (including a copy thereof). Stonefire shall keep Angle reasonably informed of any changes to the terms of any such Take-over Proposal and any changes to the nature of any such inquiry.
- (c) If Stonefire receives a request for material non-public information from a Person who proposes a Take-over Proposal in respect of Stonefire (the existence and content of which have been disclosed to Angle as set forth herein), and the board of directors of Stonefire determines that such proposal is a Superior Take-over Proposal pursuant to Section 5.2(a) then, and only in such case, the board of directors of Stonefire may, subject to the execution of a confidentiality agreement on terms no less restrictive than those contained in the Confidentiality Agreement, provide such Person with access to information regarding Stonefire; provided however, that Angle is provided with a list of, and access to, the information, if any, provided to such Person that was not previously provided to Angle.
- (d) Stonefire shall ensure that its Representatives are aware of the provisions of this Section 5.2, and it shall be responsible for any breach of this Section 5.2 by its Representatives.

5.3 Right to Match

- (a) In the event that the board of directors of Stonefire determines that it has received a Superior Take-over Proposal, Stonefire will immediately provide Angle with a copy of the Superior Take-over Proposal (which shall identify the Person making the Superior Take-over Proposal and the terms thereof) (the date that Angle receives such notice being the “**Notice Date**”). Angle may, but is not required to during the three Business Day period after the Notice Date, offer in writing to amend the terms of this Agreement. Until the Final Resolution Date, Stonefire agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Take-over Proposal and shall not withdraw, qualify, modify or change its recommendation in respect of the Offer, or resolve or propose publicly to do any of the foregoing. For the purposes of the foregoing sentence, the “**Final Resolution Date**” means: (a) the end of the three Business Day period referred to above in this Section 5.3 if Angle does not submit an amended Offer, or (b) if Angle submits an amended Offer, the date that the board of directors of Stonefire determines that the Superior Take-over Proposal would nonetheless remain a Superior Take-over Proposal and Stonefire has rejected the amended Offer.
- (b) If the board of directors of Stonefire: (i) determines, after receiving the amended Offer from Angle, that the Superior Take-over Proposal would thereby cease to be a Superior Take-over Proposal, Stonefire will enter into an amendment to this Agreement reflecting the amended Offer; or (ii) determines that the Superior Take-over Proposal would nonetheless remain a Superior Take-over Proposal (or if Angle fails to make an amended Offer in the period provided for in Section 5.3(a)), Stonefire shall be entitled to terminate this Agreement and enter into an agreement in respect of the Superior Take-over Proposal or withdraw, modify, qualify or change its recommendation concerning the Offer and recommend the Superior Take-over Proposal, as applicable, provided that Stonefire has, in advance of taking any such action, paid or made arrangements satisfactory to Angle to pay Angle the Non-Completion Fee provided in Section 4.1.
- (c) Each successive amendment to any Take-over Proposal that results in an increase in, or modification of, the consideration to be received by holders of Stonefire Shares shall constitute a new Take-over Proposal for the purposes of this Section 5.3 and Angle shall be afforded a new three Business Day period and the rights afforded in this Section 5.3 in respect of each such Take-over Proposal.
- (d) Stonefire shall reaffirm its recommendation of the Offer (as may be amended, if applicable) by press release promptly after any Take-over Proposal which is publicly announced and determined not to be a Superior Take-over Proposal. Angle and its legal counsel shall be given a reasonable opportunity to review and comment on the form and content of any such press release.

5.4 Compliance with Disclosure Obligations

Nothing contained in this Article 5 shall prohibit Stonefire from complying with applicable Securities Laws including, without limitation, making any disclosures or

taking any actions that may be required under applicable Securities Laws or may be necessary in order for the Stonefire board of directors to act in a manner consistent with its fiduciary obligations, or complying with applicable provisions under Securities Laws relating to the provision of directors' circulars and making appropriate disclosures therein to Stonefire Shareholders.

ARTICLE 6

TRANSACTIONS FOLLOWING COMPLETION OF THE OFFER

6.1 Second Stage Transaction

If Angle takes up and pays for, or otherwise acquires, directly or indirectly at least the Minimum Required Shares pursuant to the terms of the Offer, Angle agrees to use all commercially reasonable efforts to acquire, and Stonefire agrees to use all commercially reasonable efforts to assist Angle in acquiring, the balance of the Stonefire Shares as soon as practicable and in any event within a period of six months following the Take-up Date by way of a statutory arrangement, amalgamation, reorganization, consolidation, recapitalization or other type of acquisition transaction or transactions (each a “**Second Stage Transaction**”) carried out for a consideration per Stonefire Share not less than the Purchase Consideration paid pursuant to the Offer. Nothing herein shall be construed to prevent Angle from acquiring, directly or indirectly, additional Stonefire Shares in the open market or in privately negotiated transactions or otherwise, in accordance with Securities Laws (including by way of compulsory acquisition) following the successful completion of the Offer.

6.2 Stonefire Board of Directors

- (a) The board of directors of Stonefire within 24 hours following the Effective Time shall, if requested by Angle, be reconstituted through resignations of all existing Stonefire directors and the appointment of Angle nominees in their stead. Stonefire shall, in accordance with the foregoing and subject to the provisions of the Act, assist Angle to obtain the resignations of all Stonefire directors (and shall provide directors with mutual releases) to be effective at such time as may be required by Angle and to use its reasonable efforts to cause the appointment of Angle nominees to fill the vacancies so created in order to effect the foregoing reconstitution of the board of directors without the necessity of a shareholder meeting.
- (b) In the event that the Take-up Date occurs prior to the next annual general meeting of Stonefire Shareholders (the “**Meeting**”), Stonefire covenants and agrees: (i) if requested by Angle, to postpone the Meeting for such period of time as would entitle Angle to vote the Stonefire Shares taken up under the Offer at the Meeting; (ii) to propose the nominees requested by Angle for election to the Stonefire board of directors at the Meeting instead of the Stonefire nominees, and (iii) to disclose the foregoing obligations of Stonefire in the proxy materials relating to the Meeting.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES OF ANGLE

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

7.1 Organization and Qualification

Angle is a corporation validly existing under the laws of the Province of Alberta and has the requisite power and authority to carry on its business as it is now being conducted. Angle is duly registered to do business and is in good standing in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities make such registration necessary, except where the failure to be so registered or in good standing would not have a Material Adverse Effect on Angle on a consolidated basis.

7.2 Authority Relative to this Agreement

Angle has the requisite authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation by Angle of the transactions contemplated hereby have been duly authorized by the board of directors of Angle and no other corporate proceedings on the part of Angle are or will be necessary to authorize this Agreement and the transactions and documentation (including the Offer Documents) contemplated hereby. This Agreement has been duly executed and delivered by Angle and constitutes the legal, valid and binding obligation of Angle enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Laws relating to or affecting creditors' rights generally, and to general principles of equity.

7.3 Purchase Consideration

Angle has currently available to it and will have at the Effective Time financial resources sufficient to fund the consideration payable by it to the Shareholders pursuant to the Offer.

7.4 No Violations

- (a) None of the execution and delivery of this Agreement by Angle, the consummation of the transactions contemplated hereby or compliance by Angle with any of the provisions hereof will: (i) violate, conflict with, or result in breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Angle or any of its subsidiaries under, any of the terms, conditions or provisions of: (y) the articles and by-laws of Angle, as amended; or (z) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other material instrument or obligation to which Angle or any of

its subsidiaries is a party or to which any of them, or any of their respective properties or assets, may be subject or by which Angle or any of its subsidiaries is bound; (ii) subject to compliance with the statutes, rules and regulations referred to in Section 7.4(b), violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to Angle or any of its subsidiaries (except, in the case of each of clauses (i) and (ii) above, for such violations, conflicts, breaches, defaults, terminations which, or any consents, approvals or notices which if not given or received, would not have any Material Adverse Effect on the ability of Angle to consummate the transactions contemplated hereby); or (iii) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would have a Material Adverse Effect on the ability of Angle to consummate the transactions contemplated hereby.

- (b) Other than compliance with the provisions of Securities Laws, the rules of the Toronto Stock Exchange and the rules of the TSX Venture Exchange: (i) there is no legal impediment to Angle's consummation of the transactions contemplated by this Agreement; and (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by Angle in connection with the making or the consummation of the Offer, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals, which, if not received, would not have a Material Adverse Effect on the ability of Angle to consummate the transactions contemplated hereby.

7.5 Litigation etc.

There is no claim, action, inquiry, suit, hearing, arbitration, investigation or other proceeding currently outstanding or, to the knowledge of Angle, pending or threatened against or relating to Angle or affecting any of its properties or assets before any Governmental Entity, nor is Angle subject to any outstanding order, writ, injunction or decree that, either individually or in the aggregate, is reasonably likely to prevent or materially delay consummation of the transactions contemplated by this Agreement.

ARTICLE 8 REPRESENTATIONS AND WARRANTIES OF STONEFIRE

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

8.1 Organization and Qualification of Stonefire

Stonefire is a corporation duly formed and organized and validly existing under the laws of the Province of Alberta and has the requisite power and authority to own its properties and conduct its business as now owned and conducted. Stonefire is duly registered to do business and is in good standing in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities make such registration necessary, except where the failure to be so registered or in good standing would not have

a Material Adverse Effect on Stonefire on a consolidated basis. Stonefire has never carried on any business other than the exploration for and development and productions of hydrocarbons and associated substances in Canada.

8.2 No Subsidiaries

Stonefire has no subsidiaries nor any interest in any partnership, corporation or other business organization.

8.3 Authority Relative to this Agreement

Stonefire has the requisite corporate authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by Stonefire's board of directors, and no other corporate proceedings on the part of Stonefire are necessary to authorize this Agreement (except for obtaining any applicable shareholder approval in respect of any Second Stage Transaction) and the transactions contemplated hereby. This Agreement has been duly executed and delivered by Stonefire and constitutes a legal, valid and binding obligation of Stonefire enforceable against Stonefire in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Laws relating to or affecting creditors' rights generally, and to general principles of equity.

8.4 Repurchase, Redemption, etc.

There are no outstanding contractual or other obligations of Stonefire to repurchase, redeem or otherwise acquire any of its securities or with respect to the voting or disposition of any of its outstanding securities.

8.5 No Violations

Except as otherwise specifically identified, described and disclosed by Stonefire to Angle on the date hereof:

- (a) none of the execution and delivery of this Agreement by Stonefire, the consummation of the transactions contemplated hereby or the compliance by Stonefire with any of the provisions hereof will: (i) violate, conflict with, or result in breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Stonefire under, any of the terms, conditions or provisions of: (x) the Stonefire Governing Documents; or (y) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other material instrument or obligation to which Stonefire is a party or to which Stonefire or its properties or assets, may be subject or by which Stonefire is bound; (ii) subject to compliance with the statutes, rules and regulations referred to in Section 8.5(b), violate any judgement, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to

Stonefire (except, in the case of each of clauses (i) and (ii) above, for such violations, conflicts, breaches, defaults, terminations which, or any consents, approvals or notices which if not given or received, would not have a Material Adverse Effect or have a material adverse effect on the ability of Stonefire to consummate the transactions contemplated hereby); or (iii) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would have a Material Adverse Effect;

- (b) other than in connection or compliance with Securities Laws and the rules of the TSX Venture Exchange: (i) there is no legal impediment to Stonefire's consummation of the transactions contemplated by this Agreement; and (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by Stonefire in connection with the making or the consummation by Angle of the Offer, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals, which, if not received, would not have a Material Adverse Effect or have a material adverse effect on the ability of Stonefire to consummate the transactions contemplated hereby;
- (c) there is no non-competition, exclusivity or other similar agreement, commitment or understanding in place, whether written or oral, to which Stonefire, or, to the knowledge of Stonefire, any director, officer, employee or consultant or any affiliate of Stonefire is a party or is otherwise bound that would now or hereafter: (i) limit in any material respect either the type of business in which Stonefire (or, after the Effective Time, Angle or its subsidiaries) may engage or the manner or locations in which it may so engage in any business; (ii) could require the disposition of any material assets or line of business of Stonefire or, after the Effective Time, Angle or its subsidiaries; (iii) grants "most favoured nation" status that, following the Effective Time, would apply to Angle or its subsidiaries, including Stonefire; or (iv) prohibits or limits the right of Stonefire to make, sell or distribute any products or services or use, transfer, license, distribute or enforce any of their respective intellectual property rights; and
- (d) the execution, delivery and performance of this Agreement does not and will not result in the restriction of Stonefire from engaging in its business or from competing with any Person or in any geographical area.

8.6 Capitalization of Stonefire

As of the date hereof, the authorized share capital of Stonefire consists of an unlimited number of Stonefire Class A Shares, an unlimited number of Stonefire Class B Shares and an unlimited number of preferred shares. As of the date hereof, 18,265,000 Stonefire Class A Shares are issued and outstanding, 1,012,000 Stonefire Class B Shares are issued and outstanding, and there are no preferred shares outstanding. As of the date hereof, 1,785,000 Stonefire Class A Shares are issuable pursuant to the exercise of 1,785,000 outstanding Stonefire Options, 1,574,000 of such Stonefire Options are "in the money" and 211,000 of such Stonefire Options are "out of the money". Except as set forth in the immediately preceding sentences, there are no options, puts, calls, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance,

sale or transfer by Stonefire of any shares of Stonefire (including Stonefire Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares of Stonefire (including Stonefire Shares), nor are there any outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or other attribute of Stonefire. All outstanding Stonefire Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights, and all Stonefire Shares issuable upon exercise of outstanding Stonefire Options in accordance with their respective terms will be duly authorized and validly issued, fully paid and non-assessable and will not be subject to any pre-emptive rights.

8.7 No Material Adverse Change

Since December 31, 2008, no Material Adverse Change has occurred that has not been publicly disclosed.

8.8 Information

All material data and information provided by Stonefire to Angle and its agents and representatives (excluding such data and information which is forward-looking or relates to projections or forecasts or geological interpretations) does not contain a misrepresentation as defined under Securities Laws.

8.9 No Undisclosed Material Liabilities

Except: (a) as disclosed or reflected in the audited annual consolidated financial statements of Stonefire as at December 31, 2008; and (b) for liabilities and obligations: (i) incurred in the ordinary course of business and consistent with past practice since December 31, 2008; (ii) pursuant to the terms of this Agreement; (iii) publicly disclosed on SEDAR prior to the date hereof; or (iv) amounts incurred pursuant to termination costs and advisory fees as specifically identified, described and disclosed by Stonefire to Angle on the date hereof, Stonefire has not incurred any material liabilities of any nature, whether accrued, contingent or otherwise, whether or not such liabilities would be required by generally accepted accounting principles applicable in Canada to be reflected on a consolidated balance sheet of Stonefire as of the date hereof.

8.10 Financial Commitments

Stonefire has: (i) no individual outstanding financial commitments not made in accordance with the Stonefire budget or publicly disclosed on SEDAR prior to the date hereof or pursuant to the termination costs and advisory fees as specifically identified, described and disclosed by Stonefire to Angle on the date hereof in excess of \$1,056,000 (which includes the fees payable to Cormark Securities Inc. in an amount not exceeding \$756,000) plus applicable GST, and (ii) no aggregate financial commitments in excess of those commitments disclosed in Stonefire's management discussion and analysis for the year-ended December 31, 2008.

8.11 Employee Obligations

The Employee Obligations do not exceed in the aggregate \$2,260,000, as identified, described and disclosed by Stonefire to Angle on the date hereof.

8.12 Brokerage Fees

Stonefire has not retained nor will it retain any financial advisor, broker, agent or finder or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement, any transaction contemplated hereby or any transaction presently ongoing or contemplated, except that Cormark Securities Inc. have been retained as Stonefire's financial advisors in connection with certain matters and provide the Fairness Opinion in connection with the Offer, including the transactions contemplated hereby. Stonefire has delivered to Angle a true and complete copy of all of its agreements with Cormark Securities Inc. and Stonefire hereby agrees not to amend such agreements without Angle's express written consent. There are no fees payable to such advisor other than those disclosed in such agreements.

8.13 Conduct of Business

Except as disclosed in the public documents of Stonefire filed pursuant to Securities Laws or contemplated herein or would not have a Material Adverse Effect, Stonefire has conducted and is conducting its business substantially in accordance with good oilfield and environmental practices and in compliance in all material respects with all applicable Laws in each jurisdiction in which it carries on business.

8.14 Reports

- (a) The Disclosure Documents were, as of their respective dates, in compliance in all material respects with applicable Securities Laws and did not, when filed, contain a "misrepresentation" within the meaning of applicable Securities Laws.
- (b) Stonefire will during the term of this Agreement deliver to Angle as soon as they become available true and complete copies of any report or statement filed by it with Securities Authorities subsequent to the date hereof. As of their respective dates, such reports and statements (excluding any information therein provided by Angle, as to which Stonefire makes no representation): (i) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading; and (ii) will comply in all material respects with all applicable requirements of law including Securities Laws. The financial statements of Stonefire issued by Stonefire or to be included in such reports and statements (excluding any information therein provided by Angle, as to which Stonefire makes no representation) will be prepared in accordance with generally accepted accounting principles in Canada (except: (A) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Stonefire's auditors; or (B) in the case of unaudited interim financial statements, to the extent they may not include footnotes or may be condensed or summary statements) and will present

fairly the financial position, results of operations and changes in financial position of Stonefire as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments).

8.15 Books and Records

The corporate records and minute books of Stonefire have been maintained in accordance with all applicable statutory requirements and are complete and accurate in all material respects. All such corporate records and minute books of Stonefire have been provided to Angle.

8.16 Litigation, etc.

There is no claim, action, inquiry, suit, hearing, arbitration, investigation or other proceeding currently outstanding or, to the knowledge of Stonefire, pending or threatened against or relating to Stonefire or affecting any of its properties or assets before any Governmental Entity, nor is Stonefire subject to any outstanding order, writ, injunction or decree that has had or is reasonably likely to have a Material Adverse Effect or that is reasonably likely to prevent or materially delay consummation of the transactions contemplated by this Agreement or the Offer.

8.17 Environmental

To the knowledge of Stonefire and except as would not reasonably be expected to have a Material Adverse Effect:

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

- (f) Stonefire, as of the date hereof, holds all licenses, permits and regulatory approvals required under any Environmental Laws in connection with the operation of its business as presently conducted and the ownership and use of its assets and all such licenses, permits and regulatory approvals are in full force and effect.

8.18 Insurance

Policies of insurance in force as of the date hereof naming Stonefire as an insured have been provided to Angle. All such policies of insurance shall remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated hereby or by the Offer.

8.19 Tax Matters

- (a) **Returns Filed and Taxes Paid.** All Returns required to be filed by or on behalf of Stonefire have been duly filed on a timely basis and such Returns are true, complete and correct in all material respects. All Taxes shown to be payable on the Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis or have been accrued for on Stonefire's financial statements, and no other Taxes are payable by Stonefire with respect to items or periods covered by such Returns.
- (b) **Tax Reserves.** For the year ended December 31, 2008, Stonefire has paid all applicable Taxes or Stonefire has provided adequate accruals in its audited financial statements for the year ended December 31, 2008 for all such unpaid Taxes. The audited financial statements for the year ended December 31, 2008 disclose all future income taxes in conformity with generally accepted accounting principles applicable in Canada.
- (c) **Returns Furnished.** For the year ended December 31, 2008, Angle has been furnished by Stonefire with true and complete copies of: (i) relevant portions of income tax audit reports, statements of deficiencies, or agreements relating to Taxes; and (ii) all separate federal, provincial, state, local or foreign income or franchise Returns for Stonefire.
- (d) **Tax Deficiencies, Audits, Statutes of Limitations.** Except as has been identified, described and disclosed by Stonefire to Angle on the date hereof, no material deficiencies exist or have been asserted with respect to Taxes of Stonefire. Stonefire is not party to any action or proceeding for assessment or collection of Taxes, nor has such event been asserted or threatened against Stonefire or any of its assets. No waiver or extension of any statute of limitations is in effect with respect to Taxes or Returns of Stonefire. The Returns of Stonefire have never been audited by a government or taxing authority, nor to the knowledge of Stonefire, is any such audit in process, pending or threatened.
- (e) **Flow-Through Shares.** Stonefire has not breached any flow-through share agreement to which it is or was a party in respect of the issuance of flow-through shares (as defined under the *Income Tax Act* (Canada)) and, in particular,

Stonefire has not failed to incur and renounce expenses which it covenanted to incur and renounce nor has any Governmental Authority or Stonefire reduced pursuant to section 66(12.73) of the *Income Tax Act* (Canada) any amount renounced by Stonefire.

- (f) **Specified Shareholders.** To the best of Stonefire's knowledge, there is no "specified shareholder" of Stonefire as such expression is defined for the purposes of paragraph 88(1)(c) of the *Income Tax Act* (Canada).

8.20 Employee Benefit Plans

Stonefire:

- (a) has no defined benefit plans, defined contribution plans or other employee benefit plans, other than the employer-funded health trust and the SunLife Financial medical and dental plan that have been identified, described and disclosed by Stonefire to Angle; and
- (b) has no stock option plans or arrangements other than the Stock Option Plan and, except as otherwise disclosed herein, is not otherwise a party to any agreement to provide any Stonefire Shares or other Stonefire securities (including any securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire Stonefire Shares) or to provide any options to acquire Stonefire Shares or any other Stonefire securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, Stonefire Shares to any Person other than pursuant to the Stock Option Plan.

8.21 Employment Agreements

Stonefire is not a party to any employment agreement, whether oral or written, other than the Stonefire Employment Agreements. Other than Employee Obligations identified, described and disclosed by Stonefire to Angle on the date hereof, which do not exceed \$2,260,000, Stonefire is not a party to any written or oral policy, agreement, obligation or understanding or any amendment thereto which contains any specific agreement as to notice of termination or severance pay in lieu thereof or which cannot be terminated without cause on giving reasonable notice as may be implied by law.

8.22 Reporting Issuer Status

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

8.23 No Shareholder Rights Plan

There is not in effect with respect to Stonefire, and prior to the Expiry Time Stonefire will not implement, any shareholder rights plan.

8.24 Engineering Reports

Stonefire has made available to GLJ prior to the issuance of their report dated February 26, 2009 effective December 31, 2008 (the “**Stonefire Reserves Report**”), for the purpose of preparing such report, all information requested by GLJ, which information did not, at the time such information was provided, contain any misrepresentation. Stonefire has no knowledge of a Material Adverse Change in any information provided to GLJ since the date that such information was so provided. Stonefire believes that the Stonefire Reserves Report reasonably presents the quantity and pre-tax present values of estimated oil and gas reserves attributable to Stonefire’s properties evaluated therein as at December 31, 2008 based upon information available at the time the Stonefire Reserves Report was prepared and the assumptions as to commodity prices and costs contained therein.

8.25 Flow-Through Obligations

Stonefire has not entered into any agreements or made any covenants with any parties with respect to the issuance of “flow-through” shares or the incurring and renunciation of Canadian exploration expense or Canadian development expense, which amounts have not been fully expended and renounced as required thereunder.

8.26 Title

Although it does not warrant title to its Petroleum and Natural Gas Rights, except for Permitted Encumbrances, its Petroleum and Natural Gas Rights are free and clear of all liens, adverse claims, charges and encumbrances created by, through or under Stonefire or its affiliates.

8.27 Quiet Possession

Subject to the rents, covenants and conditions of the Leases to be paid, performed and observed by the lessee, Stonefire may hold the Petroleum and Natural Gas Rights for the remainder of the terms of the Leases, and all renewals or extensions of them, for its own benefit without interruption by any Person claiming by, through or under Stonefire.

8.28 No Reduction of Interests

Other than the Permitted Encumbrances, none of the Petroleum and Natural Gas Rights are subject to reduction by reference to payout or of production penalty on any well or otherwise or to change to an interest of any other size or nature by virtue of or through any right or interest granted by, through or under Stonefire except to the extent that such reduction or change to an interest would not in the aggregate have a Material Adverse Effect.

8.29 Take or Pay

The Petroleum and Natural Gas Rights of Stonefire are not subject to any “take or pay” obligations.

8.30 Production Penalties

As of the date hereof, Stonefire has not received notice of any production penalty or similar production restriction of any nature imposed by any Governmental Entity, including gas-oil ratio, off-target and overproduction penalties imposed by any Governmental Entity and to its knowledge, none of the wells in which it holds an interest is subject to any such penalty or restriction except to the extent that any such penalty or restriction would not in the aggregate have a Material Adverse Effect.

8.31 Operation and Condition of Wells

At the wells for which:

- (a) Stonefire was or is operator, were or have been drilled and, if and as applicable, completed, operated and abandoned in accordance with good and prudent oil and gas industry practices in Canada and all applicable Law; and
- (b) Stonefire was not or is not operator, to Stonefire's knowledge, were or have been drilled and, if and as applicable, completed, operated and abandoned in accordance with good and prudent oil and gas industry practices in Canada and all applicable Law.

8.32 Production

Stonefire's current average daily production, based on estimated production from November 1 to November 15, 2009, is approximately 1,225 BOE per day. Average daily production for the purposes of this Agreement means production based on sales volumes from field estimates and from Zedi Canada Inc. with applied typical shrinkage factors and natural gas liquids yields used in past weekly corporate estimates.

8.33 Area of Mutual Interest/Area of Exclusion

There are no active area of mutual interest provisions or area of exclusion in any Title and Operating Document to which the Petroleum and Natural Gas Rights are subject, other than as identified, described and disclosed by Stonefire to Angle on the date hereof.

8.34 Off-Set Obligation

As of the date hereof, Stonefire has not received any written notice that the Leases in respect of the Petroleum and Natural Gas Rights are subject to any accrued drilling or off-set obligations which have not been satisfied or permanently waived.

8.35 Operational Matters

Except as would not reasonably be expected to have a Material Adverse Effect on Stonefire, all rentals, payments and obligations, royalties, overriding royalty interests, production payments, net profits, interest burdens and other payments for which Stonefire is directly obligated to pay in respect of the Petroleum and Natural Gas Rights on or prior to the date hereof have been properly and timely paid.

8.36 Operation and Condition of Tangibles

Except as would not in the aggregate have a Material Adverse Effect, Stonefire's tangible depreciable property operated by it in accordance with its Petroleum and Natural Gas Rights has been operated and maintained in accordance with prudent oil and gas industry practices in Canada and all applicable Laws during all periods in which Stonefire was operator thereof, and during the periods in which Stonefire was not operator of the tangible depreciable property used or intended to be used in connection with its Petroleum and Natural Gas Rights, to its knowledge, such tangible depreciable property was or has been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in Canada and all applicable Laws and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business.

8.37 Authorization for Expenditure

Other than as identified, described and disclosed by Stonefire to Angle on the date hereof, Stonefire does not have any outstanding authorizations for expenditures or like commitments.

8.38 Hedging

Stonefire is not a party to or bound by any currently outstanding interest rate swaps, foreign exchange swaps, commodity price hedging contracts or similar derivative contracts.

8.39 Joint Venture Audits

There are no ongoing or proposed joint venture audits under the Title and Operating Documents or otherwise. Stonefire has made available to Angle all Title and Operating Documents and other documents and agreements in its possession and requested by Angle affecting the ownership, operations and title of Stonefire to the Assets.

8.40 Right of First Refusal

All rights of first refusal, pre-emptive purchase rights and similar rights applicable to transactions whereby Stonefire or any of its predecessors in interest acquired an interest in the Assets have been complied with or waived by the holders thereof. The entering into of this Agreement and completion of the transactions contemplated herein does not trigger any right of first refusal or other rights in favour of a third party pertaining to the Assets of Stonefire.

8.41 Title to Facilities

Except for Permitted Encumbrances, Stonefire has good and marketable title to the Stonefire Facilities, free and clear of all liens, charges, encumbrances and adverse claims.

8.42 Stonefire Proprietary Rights

All material technology, processes, maps, seismic records, shot points, field notes, interpretations and programs, all seismic, geological and geophysical information and libraries, and other proprietary information relating to the business and properties of Stonefire currently used by such Persons in the conduct of their respective businesses (collectively, the “**Evaluation Data**”) owned or leased by Stonefire has been identified, described and disclosed by Stonefire to Angle on the date hereof. The use of all of the Evaluation Data owned by Stonefire has not and will not impair Stonefire’s rights in and to such Evaluation Data.

8.43 Investments

Stonefire is not a party to any agreements of any nature to acquire any shares of any corporation or to acquire, capitalize or invest in any business or entity

8.44 Non-Arm’s Length Transactions

Except in respect of the Employee Loan, no director, officer, employee, insider of Stonefire or other non-arm’s length party to Stonefire is indebted to Stonefire. No director, officer, employee, insider or other non-arm’s length party to Stonefire has any right, title or interest in (or the right to acquire any right, title or interest in) any royalty interest, carried interest, participation interest or any other interest whatsoever which are based on production from or in respect of any properties of Stonefire that will be effective after the Take-up Date.

8.45 Guarantee

Stonefire has not guaranteed, endorsed, assumed or indemnified, contingently or otherwise, the obligations of indebtedness of any Person other than in the ordinary course of the oil and gas business pursuant to the Title and Operating Documents or pursuant to directors and officers indemnification agreements, which indemnification agreements have been provided to Angle.

8.46 Confidentiality Agreements

Stonefire has not waived or released the applicability of any “standstill” or other provisions of any confidentiality agreements entered into by Stonefire.

8.47 U.S. Securities Law Matters

Stonefire is a “foreign private issuer” as defined in Rule 3b-4 under the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). There is no class of securities of Stonefire which is registered, nor prior to the Expiry Time will be registered, pursuant to section 12 of the Exchange Act. Stonefire is not, and prior to the Expiry Time will not be, subject to any reporting obligation pursuant to section 15(d) of the Exchange Act. Stonefire is not, and has never been, subject to any requirement to register any class of its equity securities pursuant to section 12(g) of the Exchange Act. Stonefire is not an

investment company registered or required to be registered under the Investment Company Act of 1940, as amended.

8.48 Fairness Opinion

Stonefire has received the verbal Fairness Opinion from its financial advisor stating that, as of the date hereof, the consideration per share offered pursuant to the Offer is fair, from a financial point of view, to holders of Stonefire Shares, which Fairness Opinion shall be provided to the board of directors of Stonefire in writing and included in the directors' circular.

8.49 Transaction Costs; Option Proceeds

Stonefire reasonably estimates that all transaction costs (including all legal, financial, engineering, accounting and other advisors of Stonefire and any other costs and expenses of Stonefire of the transaction contemplated hereby), including the Employee Obligations, will not exceed \$3,316,000.

Stonefire reasonably estimates that the aggregate gross proceeds realized from the exercise of Stonefire Options will be \$877,600, subject to those "cashless exercises" contemplated by Section 2.4(d).

8.50 Net Debt

As of October 31, 2009, Stonefire's net debt was not in excess of \$22,800,000. As at the date hereof, Stonefire's net debt is not in excess of \$22,800,000.

8.51 Disclosure

Other than material contained in the Disclosure Documents, Stonefire has provided Angle with all material information and documents concerning Stonefire, its assets and its liabilities during the course of Angle's review of Stonefire and its assets. No representation or warranty contained herein and no statement or fact contained in any identification, description, disclosure, schedule or other disclosure in writing provided or to be provided to Angle by Stonefire contains or will contain any untrue statement of a material fact or omits to state a material fact which is necessary in order to make the statements herein or therein not misleading.

ARTICLE 9 CONDUCT OF BUSINESS

9.1 Conduct of Business by Stonefire

Stonefire covenants and agrees that, during the period from the date of this Agreement until this Agreement is terminated in accordance with its terms, unless Angle shall otherwise agree in writing, except as required by Law or as otherwise expressly permitted or specifically contemplated by this Agreement:

- (a) the business of Stonefire shall be conducted only in, and Stonefire shall not take any action except in, the usual and ordinary course of business consistent with

past practice and in compliance in all material respects with applicable Laws, and Stonefire shall use all commercially reasonable efforts to maintain and preserve its business organization, assets, employees and advantageous business relationships, and for clarity, but without limiting the generality of the foregoing, Stonefire shall not take any unusual action in operating its wells to satisfy the condition in respect of production contained in paragraph (k) of Schedule A;

- (b) Stonefire shall not directly or indirectly do or permit to occur any of the following: (i) amend or propose to amend the Stonefire Governing Documents; (ii) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of its shares owned by any Person; (iii) issue, grant, sell, pledge, lease, exclusively license, dispose of, encumber or agree to issue, grant, sell, pledge, lease, exclusively license, dispose of or encumber any shares of Stonefire or other securities of Stonefire other than Stonefire Shares issuable pursuant to the exercise of the Stonefire Options currently outstanding; (iv) redeem, purchase or otherwise acquire any of its outstanding shares or other securities; (v) split, combine or reclassify any of its shares; (vi) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of Stonefire; (vii) adopt a shareholder rights plan that provides rights to holders of Stonefire Shares to purchase any securities of Stonefire as a result of the Offer; (viii) convert or propose to convert the Stonefire Class B Shares into Stonefire Class A Shares; or (ix) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing, except as permitted in this Section 9.1(b);
- (c) Stonefire shall not directly or indirectly do any of the following: (i) without the express written consent of Angle, incur or commit any capital expenditures which are in excess of \$25,000 individually or \$50,000 in the aggregate; (ii) incur, other than operating expenses incurred in the ordinary course of business consistent with past practice, operating expenses which are in excess of \$25,000 individually or \$100,000 in the aggregate; (iii) incur, other than general or administrative expenses incurred in the ordinary course of business consistent with past practice, general or administrative expenses in excess of \$3,500 individually or \$25,000 in the aggregate; (iv) sell, pledge, dispose of or encumber any assets; (v) acquire or agree to acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof, or make any investment therein either by purchase of shares or securities, contributions of capital, property transfer; (vi) enter into any form of joint venture, farm-out or other partnering arrangement; (vii) incur or commit to incur any indebtedness for borrowed money or any other material liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for, the obligations of any other individual or entity, or make any loans or advances; (viii) pay, discharge or satisfy any claims, liabilities or obligations other than the payment, discharge or satisfaction in the ordinary course of business, consistent with past practice, of liabilities reflected or reserved against in its financial statements or incurred in the ordinary course of business consistent with past practice; (ix) authorize, recommend or propose any release or relinquishment of any material contract right; (x) waive, release, grant

or transfer any rights of material value or modify or change in any material respect any existing material license, lease, contract, production sharing agreement, government land concession, development plan or other document; (xi) enter into or terminate any interest rate swaps, currency swaps, hedges or any other rate fixing agreement for a financial transaction or enter into any hedge, put or call arrangement of any sort or any forward sale agreement for commodities; (xii) file, amend, abandon, fail to diligently pursue or withdraw any application for any material licenses, permits, certificates, consents, orders, waivers, authorizations, approvals or registrations; (xiii) enter into any material agreement; (xiv) except as required by GAAP or applicable Law, make any material changes in financial or tax accounting methods, principles, policies or practices; fail to file, on a timely basis, with the appropriate Governmental Entity, all Returns required to be filed by or with respect to Stonefire, or fail to timely withhold, pay or remit any Taxes due in respect of such Returns; (xv) make any material change to the Returns, make any material election relating to Taxes, change any material election relating to Taxes already made, settle any material dispute related to Taxes, or consent or enter into any closing agreement with any taxation authority during any audit relating to Taxes or consent to any waiver or extension of the statutory period of limitations in respect of any such audit; or (xvi) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing except as permitted in this Section 9.1(c);

- (d) Stonefire shall use its commercially reasonable efforts to cause its current insurance (or re-insurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect and Stonefire shall consult with Angle regarding any renewal or extension of their insurance (or re-insurance) policies;
- (e) Stonefire shall:
 - (i) provide Angle with a copy of each cheque register promptly after each such register is prepared and allow Angle at least one Business Day to review, inquire and comment on the cheque register;
 - (ii) use its commercially reasonable efforts to preserve intact its business organization and goodwill, to keep available the services of its officers and employees as a group and to maintain satisfactory relationships with suppliers, agents, distributors, customers and others having business relationships with it;
 - (iii) not take any action that would render, or that reasonably may be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect;

- (iv) promptly notify Angle orally and in writing of any material governmental or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated);
 - (v) confer, prior to taking action (other than in emergency situations) with Angle with respect to all material operational matters involved in its business or in respect of incurring any expenditures contemplated by Section 9.1(c);
 - (vi) work to familiarize Angle personnel with the nature and workings of all of its operational, accounting and land systems with the objective that Angle personnel be able to continue the operation of all such systems following completion of the transactions contemplated herein;
 - (vii) make such reasonable accruals to its accounts and financial statements subsequent to the date of this Agreement and prior to the Initial Expiry Time as are in accordance with generally accepted accounting principles, including in respect of inventory adjustments, allowance for doubtful accounts and certain other revenue and expense items and balance sheet reclassification items;
 - (viii) cash flow between the date of this Agreement and the Expiry Time shall first be applied to reduce net debt.
- (f) Stonefire shall not create any new Employee Obligations, grant to any officer, director or any other employee an increase in compensation in any form, make any loan to any officer or director, take any action with respect to the grant of any severance or termination pay or severance or termination pay entitlement or enter into any new employment agreement with any Person or otherwise extend, expand or enhance the engagement, employment or any related rights or any former, present or future director, officer, employee, consultant, advisor or agent of Stonefire;
- (g) Stonefire shall not adopt nor amend or make any contribution to any bonus, profit sharing, option, pension, retirement, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, agreement, trust, fund or arrangements for the benefit of employees, except as is necessary to comply with the law or with respect to existing provisions of any such plans, programs, arrangements or agreements or to give effect to the terms of this Agreement; and
- (h) Stonefire shall not enter into or modify any contract, agreement, commitment or arrangement with respect to any of the matters set forth in this Section 9.1, except as specifically permitted in this Section 9.1, without the prior consent of Angle.

ARTICLE 10 COVENANTS OF STONEFIRE

10.1 Access to Information

Subject to the Confidentiality Agreement and any third party confidentiality obligations in effect as at the date hereof, upon reasonable notice, Stonefire shall afford Angle's officers, employees, counsel, financial advisors, accountants and other authorized representatives and advisers reasonable access, during normal business hours and at such other time or times as Angle may reasonably request from the date hereof and until the expiration of this Agreement, to its lands, leases, wells, facilities, books, contracts and records (including, without limitation, access to all of Stonefire's Zedi Canada Inc. data) as well as to its management personnel, and, during such period, Stonefire shall furnish promptly to Angle all information concerning its business, properties and personnel as Angle may reasonably request and shall review with Angle personnel such of the records, systems and processes with the objective of enabling Angle personnel to assume the continuing operations of Stonefire upon the acquisition by Angle of the Minimum Required Shares pursuant to the Offer. Stonefire expressly agrees that Angle may designate an individual to attend at the offices of Stonefire once a week and to attend any formal joint venture meetings for the purposes set forth above and to consult with Angle and approve actions or transactions for which the consent of Angle is required hereunder. Stonefire agrees to keep Angle fully apprised in a timely manner of every circumstance, action, occurrence or event occurring or arising in the period between the date hereof and the Effective Time that would be relevant and material to Angle, a holder of the Stonefire Shares or a prudent operator of the business and operations of Stonefire, taken as a whole.

10.2 General Releases, Non-Competes and Severance Payments

Stonefire covenants and agrees that it will cause Stonefire to satisfy, at least two Business Days prior to the Effective Time (and to become effective at the Effective Time), the terms and conditions of all existing termination and severance arrangements (including the Employee Obligations), the Stonefire Employment Agreements, all other arrangements with any employee or contractor of Stonefire and all plans and policies of Stonefire, all as identified, described and disclosed by Stonefire to Angle on the date hereof.

Severance and termination payments for officers, employees and contractors terminated: (i) in connection with the completion of this Offer; and (ii) immediately before, at or after the Effective Time shall be made by Stonefire immediately prior to the Effective Time. All severance and termination payments made to officers, employees and contractors shall be made only upon: (i) receipt by Stonefire from the applicable officer, employee or contractor of an executed general release of all claims that such Person may have against Stonefire, Angle, and their respective directors, officers, agents and employees; and (ii) in the case of officers and employees, receipt by Stonefire and Angle from the applicable officer or employee of executed non-compete agreements (which non-compete agreements shall identify the specific areas of exclusion identified, described and disclosed by Stonefire to Angle on the date hereof and which shall extend for a period of 12 months from the Effective Time), which releases and non-compete agreements

referenced in this Section 10.2 shall be of form and content mutually satisfactory to Stonefire and Angle, each acting reasonably.

The Parties acknowledge and agree that this Section 10.2 shall be a material covenant of Stonefire for the purposes of paragraph (i)(ii) of Schedule A.

10.3 Notice of Material Adverse Change

From the date hereof until the termination of this Agreement, Stonefire shall promptly notify Angle in writing of any Material Adverse Change. Stonefire shall in good faith discuss with Angle any change in circumstances (actual, anticipated, contemplated or, to the knowledge of Stonefire, threatened, financial or otherwise) which is of such a nature that there may be a reasonable question as to whether notice need to be given to Angle pursuant to this Section 10.3.

10.4 Financial and Other Information

Stonefire shall make available to Angle, and consents to the use of, all information of Stonefire which may be required under applicable law to be disclosed in the Offer Documents or any documents necessary to complete a Second Stage Transaction. Stonefire shall receive the prior consent of Angle, not to be unreasonably withheld, prior to making any disclosure, written or otherwise, related to its financial or operating results; however, Stonefire may make such disclosure prior to such consent on the advice of counsel that such action is required by applicable law (including Securities Laws) or by obligations pursuant to any listing agreement with a stock exchange, but only after using its best efforts to consult Angle taking into account the time constraints to which it is subject as a result of such law or obligation.

10.5 Certificate of Stonefire

Not more than seven hours before the Expiry Time, Stonefire shall provide to Angle a true and correct certificate of Stonefire, signed by the President and Chief Executive Officer and another officer of Stonefire, not in their personal capacities and without incurring any personal liability, confirming, after due and careful inquiry, that as at the Expiry Time:

- (a) Stonefire shall not have breached, or failed to comply with, any of its covenants or obligations under this Agreement in any material respect; and
- (b) no representation or warranty of Stonefire contained in this Agreement shall have become inaccurate (and for purposes of this Section 10.5 (i) representations and warranties made as of a specific date shall remain true and correct as of such date; and (ii) representations and warranties shall be read as if none of them contained any Material Adverse Change, Material Adverse Effect or other materiality qualification), except and to the extent that such representations and warranties are varied as a result of any matter permitted or consented to under this Agreement or consented to in writing by Angle and except for such inaccuracies which individually or in the aggregate shall not cause or could not reasonably be expected to cause a Material Adverse Change or otherwise prevent or materially

delay or could reasonably be expected to prevent or materially delay the consummation of the Offer beyond the Outside Date.

ARTICLE 11 COVENANTS OF ANGLE

11.1 Purchase Consideration

Angle covenants and agrees that at all times when the Offer is outstanding, Angle shall not take any action which would or could result in the representation and warranty set out in Section 7.3 being untrue in any material respect.

11.2 Indemnities

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

11.3 Directors and Officers Insurance

Angle acknowledges that Stonefire may, prior to the Expiry Time, secure “run-off” directors’ and officers’ liability insurance for Stonefire’s current directors and officers, covering claims made prior to or within six years after the Take-up Date, which has a scope and coverage no less advantageous in scope and coverage to that provided pursuant to Stonefire’s current directors’ and officer’s insurance policy and Angle agrees to not take or permit any action to be taken by or on behalf of Stonefire to terminate or adversely affect such directors’ and officers’ insurance.

In the event that Angle acquires the Stonefire Shares under the Offer, and Stonefire has not purchased such insurance, Angle agrees to cause Stonefire to maintain Stonefire’s current directors’ and officers’ insurance policy or an equivalent policy which has a scope and coverage no less advantageous in scope and coverage to that provided pursuant to Stonefire’s current directors’ and officer’s insurance policy for all present and former directors and officers of Stonefire on a “run-off” basis covering claims made prior to or within six years after the Take-up Date.

Notwithstanding the foregoing, in no event shall Stonefire or Angle be obligated to obtain or maintain any insurance policies to the extent that the premium for any such policy exceeds \$50,000 and if such premium exceeds \$50,000, Stonefire shall obtain policies of insurance that, in its good faith determination, provide the best coverage reasonably available at a premium equal to \$50,000.

11.4 Third Party Beneficiaries

The provisions of Sections 11.2 and 11.3 are: (i) intended for the benefit of the employees of Stonefire and all present and former directors and officers of Stonefire, as

and to the extent applicable in accordance with their terms, and shall be enforceable by each of such Persons and his or her heirs, executors administrators and other legal representatives (collectively, the “**Third Party Beneficiaries**”) and Stonefire shall hold the rights and benefits of Sections 11.2 and 11.3 in trust for and on behalf of the Third Party Beneficiaries and Stonefire hereby accepts such trust and agrees to hold the benefit of and enforce performance of such covenants on behalf of the Third Party Beneficiaries; and (ii) are in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by contract or otherwise.

11.5 Name Change

Angle agrees to change the name of Stonefire within 60 days of the Effective Time to a name which does not include the word “Stonefire”. Angle hereby agrees to provide any necessary consent to the use of a similar name to “Stonefire” by former officers and directors of Stonefire.

ARTICLE 12 MUTUAL COVENANTS

12.1 Other Filings

Angle and Stonefire shall, as promptly as practicable hereafter, prepare and file any filing required under Securities Laws and the rules of the Toronto Stock Exchange and TSX Venture Exchange relating to the transactions contemplated hereby.

12.2 Additional Agreements

Subject to the terms and conditions herein provided and to fiduciary obligations under applicable law, each of the Parties agrees to use all commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and to cooperate with each other in connection with the foregoing, including using commercially reasonable efforts to:

- (a) obtain all necessary waivers, consents and approvals from other parties to material agreements, leases and other contracts or agreements (including, without limitation, the agreement of any Persons as may be required pursuant to any agreement, arrangement or understanding relating to Stonefire’s operations);
- (b) obtain all necessary consents, approvals and authorizations as are required to be obtained under any federal, provincial or foreign law or regulations;
- (c) defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the transactions contemplated hereby;
- (d) cause to be lifted or rescinded any injunction or restraining order or other order adversely affecting the ability of the Parties to consummate the transactions contemplated hereby;

- (e) effect all necessary registrations and other filings and submissions of information requested by Governmental Entities;
- (f) fulfil all conditions and satisfy all provisions of this Agreement and the Offer; and
- (g) respond to any Stonefire Shareholder or investment community inquiries in a manner which reaffirms Stonefire's support for the Offer.

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

ARTICLE 13

TERMINATION, AMENDMENT AND WAIVER

13.1 Termination

This Agreement may be terminated by written notice given to the other Party hereto, at any time prior to completion of the transactions contemplated hereby:

- (a) by mutual written consent of Stonefire and Angle;
- (b) by Angle, if the conditions to the Offer have not been satisfied or waived by Angle on or before the Expiry Time;
- (c) by either Angle or Stonefire if a Governmental Entity shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting any of the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and non-appealable, provided that the Party seeking to terminate this Agreement pursuant to this Section 13.1(c) shall have used all commercially reasonable efforts to remove such order, decree, ruling or injunction;
- (d) (i) by Angle if Stonefire shall have breached, or failed to comply with, any of its covenants or obligations under this Agreement in any material respect, or if any representation or warranty of Stonefire contained in this Agreement shall have become materially inaccurate; provided that: (A) Stonefire shall be provided with written notice of such breach, non-compliance or inaccuracy (which notice shall be provided by Angle as soon as practicable) and shall have seven Business Days from receipt of such notice to cure such breach, non-compliance or inaccuracy; and (B) the individual or collective effect of all such breaches, non-compliance and/or inaccuracies shall cause or could reasonably be expected to cause a Material Adverse Change or otherwise prevent or materially delay the completion of the Offer beyond the Outside Date;

- (ii) by Stonefire if Angle shall have breached, or failed to comply with, any of its covenants or obligations under this Agreement in any material respect, or if any representation or warranty of Angle contained in this Agreement shall have become materially inaccurate (and for the purposes of this Section 13.1(d)(ii), all covenants, representations and warranties of Angle shall be read as if none of them contained any materiality qualification); provided that: (A) Angle shall be provided with written notice of such breach, non-compliance or inaccuracy (which notice shall be provided by Stonefire as soon as practicable) and shall have seven Business Days from receipt of such notice to cure such breach, non-compliance or inaccuracy; and (B) the collective effect of all such breaches, non-compliance and/or inaccuracies shall cause or could reasonably be expected to cause a Material Adverse Change with respect to Angle or otherwise prevent or materially delay the completion of the Offer beyond the Outside Date;
- (e) by Angle if it has the right pursuant to Section 2.1(f) to refuse to make the Offer due to the failure of any of the conditions set out in Section 2.1(f);
- (f) by either Angle or Stonefire if the Non-Completion Fee becomes payable pursuant to Section 4.1 (provided that for the purposes of a termination by Stonefire, Stonefire must have first paid the Non-Completion Fee);
- (g) by Stonefire in order to enter into a proposed agreement with any Person in respect of a Superior Take-over Proposal (other than a confidentiality agreement referred to in Section 5.2(c)), provided that Stonefire has not breached, or failed to comply with, in any material respect, any of its covenants or obligations under Article 5 in respect of such Superior Take-over Proposal and provided further that Stonefire pays the Non-Completion Fee to Angle concurrent with the termination of this Agreement;
- (h) by Stonefire if Angle has not mailed the Offer Documents by the Latest Mailing Time (other than as a result of any act of Stonefire or breach by Stonefire of any of its obligations hereunder or because any of the conditions to the making of the Offer was not satisfied or waived);
- (i) by either Angle or Stonefire if the Effective Time has not occurred by February 15, 2010 (the “**Outside Date**”); provided that if the Effective Time has not occurred prior to the Outside Date as a result of the breach by the Party seeking to terminate this Agreement pursuant to this Section 13.1(i) of any covenant, obligation, representation or warranty of such Party under this Agreement, such Party shall not be permitted to so terminate this Agreement pursuant to this Section 13.1(i);
- (j) by Angle if there shall have occurred any Material Adverse Effect; or
- (k) by Stonefire if all conditions contained in Schedule A have been satisfied or waived other than paragraph (k) of Schedule A and Angle does not take-up and pay for the Stonefire Shares within the time it is legally permitted to do so.

13.2 Effect of Termination

In the event of the termination of this Agreement as provided in Section 13.1, this Agreement shall forthwith have no further force or effect and there shall be no obligation on the part of Angle or Stonefire hereunder except as set forth in Article 4, Sections 1.6, 1.7, 13.2, 13.3 and 14.4, which provisions shall survive the termination of this Agreement. Nothing herein shall relieve any Party from liability for any breach of this Agreement.

13.3 Acknowledgment of Liability

Either Party may be liable for punitive, exemplary, special, indirect or consequential damages, including without limitation, loss of profit or business interruptions, from or arising out of this Agreement.

13.4 Amendment

This Agreement may be amended by mutual agreement between the Parties. This Agreement may not be amended except by an instrument in writing signed by the appropriate officers on behalf of each of the Parties.

13.5 Waiver

Each of Angle and Stonefire may:

- (a) extend the time for the performance of any of the obligations or other acts of the other Party;
- (b) waive compliance with any of the agreements of the other Party or the fulfilment of any conditions to its own obligations contained herein; or
- (c) waive inaccuracies in any of the representations or warranties of the other Party contained herein or in any document delivered by the other Party hereto;

provided, however, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party.

13.6 Alternative Transaction

In the event that the Parties agree that it is necessary or desirable to proceed with another form of transaction (such as a plan of arrangement or amalgamation) whereby Angle or its affiliates would effectively acquire all of the Stonefire Shares within approximately the same time periods and on economic terms (including, tax treatment) having consequences to the Shareholders which are equivalent to or better than those contemplated by this Agreement, Stonefire agrees to support the completion of such alternative transaction in the same manner as the Offer and shall otherwise fulfill its covenants contained in this Agreement in respect of such alternative transaction.

ARTICLE 14 GENERAL PROVISIONS

14.1 Notices

Any notice, consent or approval required or permitted to be given in connection with this Agreement (referred to in this Section as a “**Notice**”) shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by facsimile or e-mail:

(a) if to Angle:

Angle Energy Inc.
700, 324 – 8th Avenue S.W.
Calgary, Alberta
T2P 2W2

Attention: Heather Christie-Burns, President and Chief Operating Officer
Email: [Email address removed]
Fax: (403) 263-4179

with a copy to but which shall not constitute notice:

Osler, Hoskin & Harcourt LLP
Suite 2500, 450 – 1st Street S.W.
Calgary, Alberta
T2P 5H1

Attention: Noralee Bradley
Email: [Email address removed]
Fax: (403) 260-7024

(b) if to Stonefire:

Stonefire Energy Corp.
320, 333-5th Avenue S.W.
Calgary, Alberta
T2P 3B6

Attention: Richard Dahl, President and Chief Executive Officer
Email: [Email address removed]
Fax: (403) 262-9887

with a copy to but which shall not constitute notice:

Davis LLP
1000, 250 - 2nd Street S.W.
Calgary, Alberta
T2P 0C1

Attention: Roger MacLeod
Email: rmacleod@davis.ca
Fax: (403) 213-4479

Any Notice delivered or transmitted to a Party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if the Notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day then the Notice shall be deemed to have been given and received on the next Business Day.

Any Party may, from time to time, change its address by giving Notice to the other Parties in accordance with the provisions of this Section.

14.2 Miscellaneous

This Agreement, except for the Confidentiality Agreement, constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the Parties, with respect to the subject matter hereof, and shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns. The Parties shall be entitled to rely upon delivery of an executed facsimile or similar electronic copy of the Agreement, and such facsimile or similar electronic copy shall be legally effective to create a valid and binding agreement among the Parties. The Parties agree that irreparable damage may occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of Alberta having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

14.3 Assignment

Except as expressly permitted by the terms hereof, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the Parties without the prior written consent of the other Parties. Angle may assign all or any part of its rights or obligations under this Agreement to one or more of Angle's subsidiaries referred to in Section 2.1(b), and provided further that if such assignment takes place, Angle shall continue to be liable to Stonefire for any default in performance by the assignee.

14.4 Expenses

All fees, costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such cost or expense, whether or not the Offer is consummated.

14.5 Severability

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law. Any provision of this Agreement that is invalid or unenforceable in any jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

14.6 Confidentiality Agreement

Provided that this Agreement has not been terminated in accordance with the terms hereof, Angle is hereby released from the provisions of section 8 of the Confidentiality Agreement in respect of the transactions contemplated by the Offer provided that if the Offer is terminated or expires without Angle acquiring the Minimum Required Shares all of the terms and provisions of such Confidentiality Agreement shall continue to apply.

14.7 Privacy Issues

- (a) For the purposes of this Section 14.7, the following definitions shall apply:
- (i) “**applicable law**” means, in relation to any Person, transaction or event, all applicable Laws by which such Person is bound or having application to the transaction or event in question, including applicable privacy Laws;
 - (ii) “**applicable privacy laws**” means any and all applicable Laws relating to privacy and the collection, use and disclosure of Personal Information in all applicable jurisdictions, including but not limited to the *Personal Information Protection and Electronic Documents Act* (Canada) and/or any comparable provincial law including the *Personal Information Protection Act* (Alberta);
 - (iii) “**authorized authority**” means, in relation to any Person, transaction or event, any: (A) federal, provincial, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign; (B) agency, authority, commission, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government; (C) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions; and (D) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such Person, transaction or event; and
 - (iv) “**Personal Information**” means information (other than 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) about an identifiable individual disclosed or transferred to Angle by Stonefire in accordance with this Agreement and/or as a condition of the Offer;

- (b) The Parties hereto acknowledge that they are responsible for compliance at all times with applicable privacy laws which govern the collection, use or disclosure of Personal Information disclosed to either Party pursuant to or in connection with this Agreement (the “**Disclosed Personal Information**”);
- (c) Prior to the completion of the Offer, neither Party shall use or disclose the Disclosed Personal Information for any purposes other than those related to the performance of this Agreement and the completion of the Offer. After the completion of the transactions contemplated herein, a Party may only collect, use and disclose the Disclosed Personal Information for the purposes for which the Disclosed Personal Information was initially collected from or in respect of the individual to which such Disclosed Personal Information relates or for the completion of the transactions contemplated herein, unless: (i) either Party shall have first notified such individual of such additional purpose, and where required by applicable law, obtained the consent of such individual to such additional purpose; or (ii) such use or disclosure is permitted or authorized by applicable law, without notice to, or consent from, such individual;
- (d) Each Party acknowledges and confirms that the disclosure of the Disclosed Personal Information is necessary for the purposes of determining if the Parties shall proceed with the Offer, and that the Disclosed Personal Information relates solely to the carrying on of the business or the completion of the Offer;
- (e) Each Party acknowledges and confirms that it has taken and shall continue to take reasonable steps to, in accordance with applicable law, prevent accidental loss or corruption of the Disclosed Personal Information, unauthorized input or access to the Disclosed Personal Information, or unauthorized or unlawful collection, storage, disclosure, recording, copying, alteration, removal, deletion, use or other processing of such Disclosed Personal Information;
- (f) Subject to the following provisions, each Party shall at all times keep strictly confidential all Disclosed Personal Information provided to it, and shall instruct those employees or advisors responsible for processing such Disclosed Personal Information to protect the confidentiality of such information in a manner consistent with the Parties’ obligations hereunder. Prior to the completion of the Offer, each Party shall take reasonable steps to ensure that access to the Disclosed Personal Information shall be restricted to those employees or advisors of the respective Party who have a bona fide need to access to such information in order to complete the Offer;
- (g) Where authorized by applicable law, each Party shall promptly notify the other Party to this Agreement of all inquiries, complaints, requests for access, variations or withdrawals of consent and claims of which the Party is made aware in connection with the Disclosed Personal Information. To the extent permitted by applicable law, the Parties shall fully co-operate with one another, with the

Persons to whom the Personal Information relates, and any authorized authority charged with enforcement of applicable privacy laws, in responding to such inquiries, complaints, requests for access, variations or withdrawals of consent and claims; and

- (h) Upon the expiry or termination of this Agreement, or otherwise upon the reasonable request of either Party, the other Party shall forthwith cease all use of the Disclosed Personal Information acquired by it in connection with this Agreement and will return to the requesting Party or, at the requesting Party's request, destroy in a secure manner, the Disclosed Personal Information (and any copies thereof) in its possession.

14.8 Counterpart Execution

This Agreement may be executed in any number of counterparts and each such counterpart shall be deemed to be an original instrument but all such counterparts together shall constitute one agreement.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

ANGLE ENERGY INC.

By: "Heather Christie-Burns"

Name: Heather Christie-Burns

Title: President and COO

By: "Stuart Symon"

Name: Stuart Symon

Title: Vice President

STONEFIRE ENERGY CORP.

By: "Richard Dahl"

Name: Richard Dahl

Title: President and CEO

By: "John Ramescu"

Name: John Ramescu

Title: V.P. Land

SCHEDULE A CONDITIONS TO THE OFFER

Capitalized terms used in this Schedule A but which are not defined herein shall have the meanings set forth in the attached Acquisition Agreement dated November 19, 2009 (the “**Agreement**”) between Angle Energy Inc. (“**Angle**”) and Stonefire Energy Corp. (“**Stonefire**”).

Notwithstanding any other provision of the Offer, but subject to the provisions of the Agreement, Angle reserves the right to withdraw or terminate the Offer and not take up and pay for, or, except in the case of satisfaction of all conditions contained in this Schedule A other than the condition contained in paragraph (k) below, to extend the period of time during which the Offer is open and postpone taking up and paying for, any Stonefire Shares deposited under the Offer unless all of the following conditions are satisfied or waived by Angle:

- (a) at the Expiry Time, and at the time Angle first takes up and pays for Stonefire Shares under the Offer, there shall have been validly deposited under the Offer and not withdrawn at least 66 2/3% of the outstanding Stonefire Shares (calculated on a diluted basis), (the “**Minimum Condition**”);
- (b) all requisite statutory or regulatory approvals, orders, and consents shall have been obtained on terms and conditions satisfactory to Angle, in its sole discretion, acting reasonably, and all applicable statutory or regulatory waiting periods shall have expired or been terminated and no objection or opposition shall have been filed, initiated or made by any Governmental Entity during any applicable statutory or regulatory period which shall not have been withdrawn, defeated or overcome which has or will likely have a material adverse effect on the ability of Angle to complete the Offer or any compulsory acquisition or Second Stage Transaction;
- (c)
 - (i) no act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any Governmental Entity by any elected or appointed public official or by any private person in Canada or elsewhere, whether or not having the force of law;
 - (ii) no Law shall have been proposed, enacted, promulgated, amended or applied; and
 - (iii) no decision, adjudication, judgement or ruling shall have been provided by any Governmental Entity;

which in any such case has the effect or may have the effect of cease trading the Stonefire Shares, or enjoining, prohibiting or imposing material limitations, damages or conditions on the Offer, or the purchase by, or the sale to, Angle of the Stonefire Shares or the right of Angle to own or exercise full rights of ownership of the Stonefire Shares; or

which, if the Offer were consummated, would reasonably be expected to have a Material Adverse Effect; or

which would materially and adversely affect the ability of Angle to proceed with the Offer (or any compulsory acquisition or Second Stage Transaction) and/or take up and pay for any Shares deposited under the Offer;

- (d) there does not exist any prohibition at Law against Angle making the Offer or taking up and paying for all of the Stonefire Shares under the Offer or completing any compulsory acquisition or Second Stage Transaction in respect of any Stonefire Shares not acquired under the Offer;
- (e) at or prior to the Expiry Time, all outstanding Stonefire Options shall have been exercised, cancelled or otherwise terminated or dealt with in accordance with this Agreement or otherwise in a manner satisfactory to Angle, acting reasonably;
- (f) no Material Adverse Change shall have occurred with respect to Stonefire since the date of the Agreement;
- (g) the Lock-up Agreements have been complied with, which Lock-up Agreements shall not have been breached in any material respect or terminated by any director, officer, manager or spouse of any such director or officer that is a party to a Lock-up Agreement;
- (h) the Agreement shall not have been terminated in accordance with its terms;
- (i) at the Expiry Time:
 - (i) all representations and warranties of Stonefire in the Agreement:
 - (A) that are qualified by a reference to a Material Adverse Effect shall be true and correct in all respects; and
 - (B) that are not qualified by a reference to a Material Adverse Effect (other than with respect to outstanding share capital (both on an undiluted and fully diluted basis) which shall be true and correct in all respects except for changes thereto resulting from the issuance of Stonefire Shares under the terms of the outstanding Stonefire Options) shall be true and correct in all respects unless the failure to be true or correct has not had or would not reasonably be expected to have a Material Adverse Effect;
 - (ii) Stonefire shall have observed and performed its covenants in the Agreement in all material respects to the extent that such covenants were to have been observed or performed by Stonefire at or prior to the Expiry Time;
- (j) the Employee Loan shall have been repaid in full to Stonefire prior to the Expiry Time; and
- (k) Stonefire's average daily production for the last two weeks of December 2009 shall be not less than 1,150 BOE per day, where average daily production for the purposes of this paragraph (k) means production based on sales volumes from

field estimates and from Zedi Canada Inc. with applied typical shrinkage factors and natural gas liquids yields used in past weekly corporate estimates.

If average daily production is less than 1,150 BOE per day as a result of any of the following temporary circumstances, then Angle shall not be entitled to rely on this paragraph (k):

- (i) surface or sub-surface mechanical failure;
- (ii) weather-related production interruptions including freeze-off of facilities;
- (iii) plant shut down;
- (iv) power outage;
- (v) compressor downtime;
- (vi) production that is curtailed, limited or shut in as a result of the restriction or reduction in the transportation and processing capacity available to Stonefire pursuant to the terms and conditions of any transportation or processing agreements in place as at the date of the Agreement;
- (vii) higher than normal gathering and/or sales pipeline pressure; or
- (viii) Acts of God, fire, flood, riot, act of war (whether or not declared), terrorism, labour dispute or other cause beyond the reasonable control of Stonefire.

The foregoing conditions are for the exclusive benefit of Angle and may be asserted by Angle regardless of the circumstances giving rise to such assertion (including any action or inaction by Angle or any of its affiliates) giving rise to any such condition. Angle may, in Angle's sole discretion, waive any of the foregoing conditions, in whole or in part, at any time and from time to time, both before and after the Expiry Time, without prejudice to any other rights which Angle may have. The failure by Angle at any time to exercise any of the foregoing rights will not be deemed to be a waiver of any such right and each such right shall be deemed to be an ongoing right which may be assessed at any time and from time to time. For greater certainty, each of the conditions set out in this Schedule A is independent of and in addition to each other condition set out in this Schedule A and may be asserted irrespective of whether any other condition may be asserted in connection with any particular event, occurrence or state of facts or otherwise.

[Remainder of page has been intentionally left blank.]

SCHEDULE B
FORM OF LOCK-UP AGREEMENT FOR SELLING SHAREHOLDERS

November 19, 2009

Dear Sir/Mesdames:

Re: Offer by Angle Energy Inc. to purchase all of the issued and outstanding class A common shares and class B common shares of Stonefire Energy Corp.

Reference is made to the Acquisition Agreement dated November 19, 2009 (the “**Acquisition Agreement**”, without reference to any future amendments) among Angle Energy Inc. (“**Angle**”) and Stonefire Energy Corp. (“**Stonefire**”) pursuant to which Angle has agreed to make an offer to purchase all of the issued and outstanding Stonefire Shares. Unless otherwise defined herein, all capitalized terms referred to herein shall have the meanings attributed thereto in the Acquisition Agreement. For the purposes of this letter agreement the term “**Stonefire Shares**” shall include all of the Stonefire Shares owned directly or indirectly by the Selling Shareholder (as defined below) and any other Stonefire Shares which the Selling Shareholder now or hereafter owns or over which it now or hereafter exercises direction or control, whether as a result of the exercise of Stonefire Options or otherwise.

This letter agreement sets out the terms and conditions upon which the Selling Shareholder has agreed, among other things, to support the Offer and to deposit under the Offer, or cause to be deposited under the Offer, all of the Stonefire Shares (including Stonefire Shares issuable upon the exercise of Stonefire Options (if applicable)) held by the Selling Shareholder that are, or will be, beneficially owned or controlled by the Selling Shareholder.

We understand that you (the “**Selling Shareholder**”) beneficially own, directly or indirectly, or exercise control or direction over, the number of Stonefire Shares set forth in your acceptance at the end of this letter agreement.

1. Covenants of Selling Shareholder

By the acceptance of this letter agreement, the Selling Shareholder hereby agrees, subject to the terms of Sections 4 and 6 of this letter agreement, from the date hereof until the completion of the Offer:

- (a) not to sell, pledge, encumber, assign, convey or otherwise dispose of any of the Stonefire Shares owned by such Selling Shareholder except as contemplated by the Acquisition Agreement;
- (b) to accept the Offer made by Angle by depositing the Stonefire Shares presently owned or hereafter acquired (including any Stonefire Shares hereafter acquired pursuant to the exercise of any Stonefire Options) by such Selling Shareholder prior to the expiry of the Offer and in accordance with the terms and conditions of the Offer at least three Business Days prior to the Initial Expiry Time;

- (c) to exercise all Stonefire Options held by the Selling Shareholder to acquire Stonefire Class A Shares, or to agree to terminate all remaining Stonefire Options as contemplated by the Acquisition Agreement;
- (d) not to, directly or indirectly, take any action of any kind which would cause any of its representations or warranties in this letter agreement to become untrue or which may in any way adversely affect the success of the Offer or the purchase of any Stonefire Shares under the Offer, or the completion of the Offer or the completion of any compulsory acquisition or Second Stage Transaction;
- (e) to exercise or cause to be exercised the voting rights attached to the Stonefire Shares against any Take-over Proposal (other than the Offer) and it will not vote or cause to be voted any of the Stonefire Shares in respect of any proposed action by Stonefire or its shareholders or any other Person in a manner which might reasonably be regarded as likely to prevent or materially delay the successful completion of the Offer or the other transactions contemplated by this letter agreement;
- (f) not to grant or agree to grant any proxy or other right to the Stonefire Shares, or enter into any voting trust, vote pooling or other agreement with respect to the right to vote, call meetings of shareholders or give consents or approvals of any kind with respect to the Stonefire Shares, other than pursuant to the Offer;
- (g) not to do indirectly that which it may not do directly in respect of the restrictions on its rights with respect to the Stonefire Shares pursuant to this letter agreement by the sale of any shares in any direct or indirect holding company or interest in a partnership or the granting of a proxy on the shares of any direct or indirect holding company and which would have, indirectly, any effect prohibited by this letter agreement;
- (h) subject to the provisions hereof, not to exercise any statutory or other rights of withdrawal with respect to any Stonefire Shares owned by such Selling Shareholder once deposited pursuant to the Offer unless this letter agreement is terminated prior to Angle taking up the Stonefire Shares under the Offer;
- (i) not to exercise any shareholder rights or remedies available at common law or pursuant to the *Business Corporations Act* (Alberta) or applicable securities legislation to delay, hinder, upset or challenge the Offer;
- (j) other than as permitted pursuant to Section 5.2 of the Acquisition Agreement and subject to Section 4 hereof, to immediately cease and cause to be terminated all existing solicitations, initiations, encouragements, discussions or negotiations, if any, with parties (other than Angle) with respect to any actual or potential Take-over Proposal and it will not, directly or indirectly, solicit, assist, initiate, knowingly encourage or otherwise facilitate any inquiries or proposals regarding a Take-over Proposal or potential Take-over Proposal, furnish any information relating to Stonefire or otherwise co-operate in any way with, or participate in any negotiations or discussions regarding any Take-over Proposal or potential Take-over Proposal; and

- (k) if the Selling Shareholder is a director or officer of Stonefire, he or she shall execute and deliver, prior to the Expiry Time and in accordance with Section 10.2 of the Acquisition Agreement, the release and the non-compete agreement referenced in Section 10.2 of the Acquisition Agreement.

2. **Covenants of Angle**

Angle shall make the Offer in accordance with the terms and conditions of the Acquisition Agreement and shall comply with the terms and conditions of Article 2 thereof in respect of the Offer. Angle shall, subject to the satisfaction or waiver of the conditions set forth in the Offer, take up and pay for all Stonefire Shares owned by the Selling Shareholder and deposited pursuant to the Offer (including any Stonefire Shares hereafter acquired pursuant to the exercise of any Stonefire Options or otherwise), all in accordance with the terms and conditions of the Offer and the provisions of the Acquisition Agreement.

3. **Representations and Warranties**

The Selling Shareholder represents and warrants to Angle that:

- (a) the Selling Shareholder has the legal capacity (including if the Selling Shareholder is a Corporation or other legal entity due authority) to execute and deliver this letter agreement and this letter agreement is a valid and binding agreement, enforceable against the Selling Shareholder in accordance with its terms; and neither the execution of this letter agreement by the Selling Shareholder nor the completion by the Selling Shareholder of the transactions contemplated hereby will constitute a violation of or default under, or conflict with, any contract, commitment, agreement, understanding, arrangement or restriction of any kind to which the Selling Shareholder will be a party or by which it will be bound at the time of such completion;
- (b) the Selling Shareholder is the beneficial owner of or exercises control and direction over the number of Stonefire Shares and the number of Stonefire Options set forth under the Selling Shareholder's name on the acceptance page to this letter agreement and has the authority to enter into this letter agreement and carry out the transactions contemplated hereby; and
- (c) the Stonefire Shares beneficially owned by the Selling Shareholder or over which the Selling Shareholder exercises control and direction at the date hereof are held by the Selling Shareholder with valid and marketable title thereto, and the transfer of such shares to Angle will pass good and marketable title to such shares, free and clear of all claims, liens, charges, encumbrances and security interests.

4. **Fiduciary Duties**

Where the Selling Shareholder is a director or officer of Stonefire, nothing herein shall restrict or limit the actions of the director or officer required to be taken in the discharge of his or her fiduciary duties as a director or officer of Stonefire.

5. **Expenses**

Angle and the Selling Shareholder agree to pay their own respective expenses incurred in connection with this letter agreement. Each of the parties hereto agrees to indemnify the other against any claim for a finder's fee or other compensation validly made by any broker which has an agreement with such indemnifying party for the payment of such fee or compensation. This Section 5 shall survive the termination of this letter agreement pursuant to Section 6.

6. **Termination**

It is understood and agreed that the respective rights and obligations hereunder of Angle and the Selling Shareholder shall cease and this letter agreement shall terminate in the event the Acquisition Agreement is terminated pursuant to Section 13.1 thereof.

In the event of termination of this letter agreement, the Selling Shareholder may withdraw all of the Stonefire Shares deposited in accordance with the terms and conditions of the Offer, this letter agreement shall forthwith be of no further force and effect, except as set forth in Section 5 and this Section 6 which provisions shall survive the termination of this letter agreement and there shall be no liability on the part of either the Selling Shareholder or Angle, except to the extent that either such party is in default of its obligations herein contained.

7. **Amendment**

Except as expressly set forth herein, this letter agreement constitutes the whole of the agreement between the parties and may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the parties hereto.

8. **Assignment**

Except as expressly set forth herein, no party to this letter agreement may assign any of its rights or obligations under this letter agreement without the prior written consent of the other party except that Angle may assign its rights and obligations under this letter agreement to any of its affiliates, to the extent permitted by the Acquisition Agreement, but no such assignment shall relieve Angle of its obligations hereunder.

9. **Disclosure**

Prior to the first public disclosure of the existence and terms and conditions of this letter agreement, none of the parties hereto shall disclose the existence of this letter agreement or any details hereof or the possibility of the Offer being made or any terms or conditions or other information concerning any possible offer to be made for the Stonefire Shares, to any Person other than Stonefire, its directors and officers or the Selling Shareholder's legal and financial advisors, without the prior written consent of the other parties hereto, except to the extent required by law or stock exchange policy. The existence and terms and conditions of this letter agreement may be disclosed by Angle and Stonefire in the

press releases issued in connection with the execution of the Acquisition Agreement and the Offer Documents and the directors' circular prepared by Stonefire.

10. **Enurement**

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

11. **Applicable Law**

This letter agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein and each of the parties hereto irrevocably attorns to the jurisdiction of the courts of the Province of Alberta.

12. **Severability**

If any provision of this letter agreement is determined to be void or unenforceable, in whole or in part, it shall be severable from all other provisions hereof and shall be deemed not to affect or impair the validity of any other provision hereof and each such provision is deemed to be separate and distinct.

13. **Enforcement**

The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this letter agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this letter agreement and to enforce specifically the terms and provisions hereof in any court of the Province of Alberta having jurisdiction, this being in addition to any other remedy to which such party is entitled at law or in equity.

14. **Counterparts**

This letter agreement may be signed in counterparts which together shall be deemed to constitute one valid and binding agreement and delivery of such counterparts may be effected by means of facsimile or other electronic means.

Yours truly,

ANGLE ENERGY INC.

Per: _____

Acceptance

The foregoing is hereby accepted as of and with effect from the ____ day of _____, 2009 and the undersigned hereby confirms that the undersigned beneficially owns _____ Stonefire Class A Shares, _____ Stonefire Class B Shares and Stonefire Options to acquire _____ Stonefire Class A Shares.

Witness

(sign here)

[Name]