AMALGAMATION AGREEMENT

BETWEEN

DESCO RESOURCES INC.

AND

MANITOK EXPLORATION INC.

DATED AS OF MARCH 1, 2010

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AMALGAMATION AGREEMENT

THIS AMALGAMATION AGREEMENT dated as of the 1st day of March, 2010.

BETWEEN:

DESCO RESOURCES INC., a body corporate incorporated under the laws of the Province of Alberta (hereinafter called "**Desco**")

- and -

MANITOK EXPLORATION INC., a body corporate incorporated under the laws of the Province of Alberta (hereinafter called "**Manitok**")

WHEREAS Desco and Manitok wish to amalgamate and continue as one corporation in accordance with the terms and conditions hereof;

AND WHEREAS the proposed Amalgamation is intended to constitute the Qualifying Transaction of Desco pursuant to Policy 2.4 (as defined herein);

AND WHEREAS the parties have entered into this Agreement to provide for the matters referred to in these recitals and for other matters relating to the proposed Amalgamation (as defined herein);

NOW THEREFORE THIS AGREEMENT WITNESSETH in consideration of the above premises and of the covenants, agreements, representations and warranties hereinafter contained, the parties hereto agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, unless there is something in the context or subject matter inconsistent therewith, the following defined terms shall have the meanings hereinafter set forth:

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as from time to time amended or re-enacted and includes any regulations heretofore or hereafter made pursuant to the ABCA;

"**Agreement**", "**this Agreement**", "**herein**", "**hereby**", "**hereof**’, "**hereunder**" and similar expressions mean or refer to this agreement, together with the schedules hereto and any amendments hereto;

"**Amalco**" means the continuing corporation to be constituted upon completion of the Amalgamation, to be named "Manitok Energy Inc.";

"**Amalco Registrar and Transfer Agent**" means Valiant Trust Company of Canada, and any other person which may be appointed as registrar and transfer agent of Amalco from time to time;

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

"**Amalgamation**" means the amalgamation of Desco and Manitok pursuant to Section 181 of the ABCA provided for herein;

"**Articles of Amalgamation**" means the Articles of Amalgamation with respect to the Amalgamation, substantially in the form attached hereto as Schedule A;

"**associate**", "**affiliate**", "**insider**" and "**promoter**" have the respective meanings ascribed thereto in the *Securities Act* (Alberta);

"**Business Day**" means any day other than a Saturday or Sunday or a day when banks in the City of Calgary are not generally open for business;

"**Canadian GAAP**" means Canadian generally accepted accounting principles applied on a consistent basis;

"**Certificate of Amalgamation**" means the Certificate of Amalgamation issued by the Registrar pursuant to Subsection 185(4) of the ABCA in respect of the Amalgamation;

"**Circular**" means the joint management information circular of Manitok and Desco to be sent to the Manitok Shareholders and Desco Shareholders in connection with the Manitok Meeting and the Desco Meeting;

"**Closing**" means the completion of the Amalgamation;

"**Confidential Information**" shall have the meaning ascribed to such term in Section 8.13;

"**Desco Agent's Options**" means the outstanding agent's options of Desco entitling the holder thereof to purchase an aggregate of 125,000 Desco Shares at a price of $0.20 per Desco Share for a period of 12 months from the date the Desco Shares were listed on the TSXV;

"**Desco Financial Statements**" means the audited financial statements of Desco as at and for the period ended August 31, 2009 and the interim unaudited financial statements of Desco as at and for the period ended September 30, 2009;

"**Desco Letter of Transmittal**" means the letter of transmittal to be used by Desco Shareholders for the purpose of surrendering certificates representing the Desco Shares and exchanging them for certificates representing the Amalco Shares;

"**Desco Meeting**" means the special meeting of the Desco Shareholders to consider and vote upon the Amalgamation;

"**Desco Options**" means the outstanding stock options of Desco entitling the holders to purchase an aggregate of 625,000 Desco Shares at a price of $0.20 per Desco Share and expiring on October 29, 2014;

"**Desco Public Disclosure**" shall have the meaning ascribed to such term in Section 4.1(t);

"**Desco Shareholders**" means the holders of Desco Shares;

"**Desco Shares**" means the common shares in the capital of Desco;

"**Dissenting Shareholders**" means either the Desco Shareholders or the Manitok Shareholders, as applicable, who exercise the right of dissent available to them in respect of the respective special resolutions approving the Amalgamation;

"**Documents of Title**" means, collectively, any and all certificates of title, leases, permits, licences, unit agreements, assignments, trust declarations, royalty agreements, operating agreements or procedures, participation agreements, farm-in and farm-out agreements, sale and purchase agreements, pooling agreements and other agreements by virtue of which the title or interest of Manitok to or in its oil and gas assets is derived;

"**Effective Date**" means the effective date of the Amalgamation, which shall be the date of the Certificate of Amalgamation;

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

"**Environmental Laws**" shall have the meaning ascribed to such in Section 4.2(cc);

"**Governmental Authority**" means any domestic or foreign court, tribunal or governmental agency or other regulatory or administrative agency or commission;

"**Manitok Convertible Securities**" means, collectively, the outstanding 282,500 performance warrants of Manitok issued on July 1, 2006 at an exercise price of $2.00 per Manitok Share, the outstanding 207,500 options of Manitok issued on September 9, 2005 at an exercise price of $1.45 per Manitok Share, the outstanding 105,000 options of Manitok issued on March 10, 2007 at an exercise price of $2.00 per Manitok Share, the outstanding 137,000 options of Manitok issued on January 9, 2008 at an exercise price of $2.45 per Manitok Share, the outstanding 67,500 options of Manitok issued on March 13, 2008 at an exercise price of $2.45 per Manitok Share and the outstanding 185,500 options of Manitok issued on December 18, 2008 at an exercise price of $2.45 per Manitok Share;

"**Manitok Financial Statements**" means the audited financial statements of Manitok for the years ended June 30, 2008 and June 30 2009 and the interim unaudited financial statements of Manitok as at and for the three months ended September 30, 2009;

"**Manitok Interests**" shall have the meaning ascribed to such in Section 4.2(z);

"**Manitok Meeting**" means the special meeting of Manitok Shareholders to consider and vote upon the Amalgamation;

"**Manitok Letter of Transmittal**" means the letter of transmittal to be used by Manitok Shareholders for the purpose of surrendering certificates representing the Manitok Shares and exchanging them for certificates representing the Amalco Shares;

"**Manitok Shareholders**" means the holders of Manitok Shares;

"**Manitok Shares**" means the Class "A" common shares in the capital of Manitok;

"**MI 61-101**" means Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*;

"**Material Adverse Change**" or "**Material Adverse Effect**" means, when used in connection with a company, any change or effect (or any condition, event or development involving a prospective change or effect) in or on the business, operations, results of operations, assets, capitalization, financial condition, licenses, permits, concessions, rights or liabilities, whether contractual or otherwise, of the company, taken as a whole, and which change or effect may reasonably be expected to significantly reduce the value of the equity securities of the company other than a change or effect: (i) which arises out of a matter that has been publicly disclosed or otherwise disclosed in writing by the company to the other party prior to the date hereof, (ii) resulting from conditions affecting the oil and gas industry as a whole; or (iii) resulting from general economic, financial, currency exchange, securities or commodity market conditions (including without limitation the prices of crude oil and natural gas, changes in taxation laws or currency exchange rates) in Canada, the United States or elsewhere;

"**misrepresentation**" includes any untrue statement of a material fact, any omission to state a material fact that is required to be stated and any omission to state a material fact that is necessary to be stated in order for a statement not to be misleading;

"**Mutual Releases**" shall have the meaning ascribed to that term in Section 3.4(j);

"**NI 51-101**" means National Instrument 51-101 of the Canadian Securities Administrators;

"**Person**" means a natural person, firm, corporation, trust, partnership, joint venture, governmental body or agency or association;

"**Policy 2.4**" means TSXV Company Manual Policy 2.4 – Capital Pool Companies;

"**Qualifying Transaction**" has the meaning ascribed thereto in Policy 2.4;

"**Registrar**" has the meaning ascribed thereto in the ABCA;

"**Sproule**" means Sproule Associates Limited, independent petroleum engineers, of Calgary, Alberta;

"**Sproule Report**" means the report of Sproule dated September 17, 2009 evaluating the crude oil, natural gas and natural gas liquids reserves of Manitok effective June 30, 2009;

"**Subsidiary**" or "**Subsidiaries**" has the meaning ascribed thereto in the *Securities Act* (Alberta), as amended, except as otherwise provided herein;

"**Tax Act**" means the *Income Tax Act* (Canada), together with any and all regulations promulgated thereunder, as in effect on the date hereof;

"**Tax Attributes**" means the aggregate balance of the following accounts under the Tax Act: (i) non-capital losses; (ii) cumulative Canadian exploration expense; (iii) cumulative Canadian development expense; (iv) cumulative Canadian oil & gas property expense; (v) undepreciated capital cost; and (vi) share issue expense;

"**Taxes**" mean, with respect to any entity, all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings, profits or selected items of income, earnings or profits) and all capital taxes, gross receipts taxes, environmental taxes, sales taxes, use taxes, ad valorem taxes, value added taxes, transfer taxes, franchise taxes, license taxes, withholding taxes or other withholding obligations, payroll taxes, employment taxes, Canada or Quebec Pension Plan premiums, excise, severance, social security premiums, workers' compensation premiums, employment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, property taxes, provincial Crown royalties, windfall profits taxes, alternative or add-on minimum taxes, goods and services tax, customs duties or other taxes of any kind whatsoever, together with any interest and any penalties or additional amounts imposed by any taxing authority (domestic or foreign) on such entity or for which such entity is responsible, and any interest, penalties, additional taxes, additions to tax or other amounts imposed with respect to the foregoing;

"**Tax Returns**" includes all returns, reports, declarations, elections, notices, filings, forms, statements and other documents (whether intangible, electronic or other form) and including any amendments, schedules, attachments, supplements, appendices and exhibits thereto, made, prepared, filed or required to be made, prepared or filed by law in respect of Taxes;

"**Termination Date**" shall have the meaning attributed to such term in Section 7.2; and

"**TSXV**" means the TSX Venture Exchange.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into articles, sections and subsections is for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "herein", and "hereunder" and similar expressions refer to this Agreement and not to any particular article, section or other portion hereof and include any Agreement or instrument supplementary or ancillary hereto.

1.3 Number, etc.

Words importing the singular number shall include the plural and vice versa, words importing the use of any gender shall include all genders and words importing persons shall include firms and corporations and vice versa.

1.4 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 in the place where an action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

1.5 Currency

All sums of money referred to in this Agreement are expressed in lawful money of Canada.

1.6 Knowledge

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the knowledge of Manitok or Desco, as applicable, it shall be deemed to refer to actual knowledge after having made due inquiry of the officers and directors of the particular company.

1.7 Meanings

Words and phrases defined in the ABCA shall have the same meaning herein as in the ABCA, unless otherwise defined herein or the context otherwise requires. Unless otherwise specifically indicated or the context otherwise requires "include", "includes" and "including" shall be deemed to be followed by the words "without limitation".

1.8 Schedule

The following schedule is annexed to this Agreement and is hereby incorporated by reference into this Agreement and form part hereof:

Schedule A — Articles of Amalgamation

ARTICLE 2
AMALGAMATION

2.1 Agreement to Amalgamate

Desco and Manitok hereby agree to amalgamate under the provisions of the ABCA and to continue as one corporation upon the terms and conditions set forth herein.

2.2 Name

The name of Amalco shall be "Manitok Energy Inc."

2.3 Registered Office

The registered office of Amalco shall be situated at Suite 1400, 700 – 2nd Street S.W., Calgary, Alberta T2P 4V5.

2.4 Authorized Capital

Amalco shall be authorized to issue an unlimited number of Amalco Shares and an unlimited number of preferred shares, issuable in series, which shall have the rights, privileges, restrictions and conditions set forth in the Articles of Amalgamation.

2.5 Restriction on Share Transfer

The transfer of shares of Amalco shall not be subject to any restrictions.

2.6 Number of Directors

The minimum number of directors of Amalco shall be three (3) and the maximum number of directors of Amalco shall be fifteen (15).

2.7 First Directors

The number of first directors of Amalco shall be seven (7). The first directors of Amalco shall be:

Name	Address
Robert J. Dales	[Home address redacted]
Bruno Geremia	c/o Suite 500, 630 – 4th Avenue S.W. Calgary, Alberta T2P 0J9
Massimo M. Geremia	c/o Suite 2500, 639 – 5th Avenue S.W. Calgary, Alberta T2P 0M9

Name	**Address**
Wilfred A. Gorbert	[Home address redacted]
Gregory E. Peterson	c/o 1400 Scotia Centre, 700 – 2nd Street S.W. Calgary, Alberta T2P 4V5
Tom Spoletini	[Home address redacted]
Cameron Vouri	[Home address redacted]

The first directors shall hold office until the first annual meeting of the shareholders of Amalco following the Amalgamation, or until their successors are duly appointed or elected. The subsequent directors shall be elected each year thereafter as provided for in the ABCA and in the by-laws of Amalco. The management and operation of the business and affairs of Amalco shall be under the control of the board of directors as it is constituted from time to time.

2.8 First Officers

The first officers of Amalco shall be:

Name	**Office Held**
Massimo M. Geremia	President and Chief Executive Officer
Tim de Freitas	Vice President, Exploration and Chief Operating Officer
Gregory E. Peterson	Corporate Secretary

2.9 First Auditors

The first auditors of Amalco shall be Kenway Mack Slusarchuk Stewart LLP, Chartered Accountants. The first auditors of Amalco shall hold office until the first annual meeting of the shareholders of Amalco following the Amalgamation, or until their successor is appointed.

2.10 Fiscal Year

The fiscal year end of Amalco shall be December 31.

2.11 Restrictions on Business

There shall be no restrictions on the business that Amalco may carry on.

2.12 Articles of Amalgamation and By-laws

The Articles of Amalgamation of Amalco shall be in the form set forth as Schedule A hereto. The by-laws of Amalco shall be the same as By-Law No. 1 of Desco.

2.13 Effect of Certificate of Amalgamation

On the Effective Date:

(a) the Amalgamation of Desco and Manitok and their continuance as one corporation shall become effective;

(b) the property of each of Desco and Manitok shall continue to be the property of Amalco;

(c) Amalco shall continue to be liable for the obligations of each of Desco and Manitok;

(d) any existing cause of action, claim or liability to prosecution of either Desco or Manitok shall be unaffected;

(e) any civil, criminal or administrative action or proceeding pending by or against either Desco or Manitok may be continued to be prosecuted by or against Amalco;

(f) a conviction against, or ruling, order or judgment in favour of or against, either Desco or Manitok may be enforced by or against Amalco; and

(g) the Articles of Amalgamation shall be deemed to be the Articles of Incorporation of Amalco and the Certificate of Amalgamation shall be deemed to be the Certificate of Incorporation for Amalco.

2.14 Manner of Conversion of Issued Securities

On the Effective Date:

(a) each Desco Shareholder, other than a Dissenting Shareholder who is ultimately entitled to be paid fair value for their Desco Shares, shall receive 0.375 of an Amalco Share for every one (1) Desco Share held by such Desco Shareholder, and the Desco Shares thus exchanged shall be cancelled without reimbursement of the capital represented by such securities;

(b) each Manitok Shareholder, other than a Dissenting Shareholder who is ultimately entitled to be paid fair value for their Manitok Shares, shall receive 0.75 of an Amalco Share for every one (1) Manitok Share held by such Manitok Shareholder, and the Manitok Shares shall be cancelled without reimbursement of the capital represented by such securities;

(c) Dissenting Shareholders who exercise rights of dissent pursuant to and in the manner set forth in Section 191 of the ABCA in connection with the Amalgamation and who:

   (i) are ultimately entitled to be paid fair value for their Desco Shares or Manitok Shares, shall be deemed to have surrendered such shares to Desco or Manitok, as the case may be, for cancellation immediately prior to the Effective Date; or

   (ii) for any reason, are ultimately not entitled to be paid fair value for their Desco Shares or Manitok Shares, shall be deemed to have participated in the Amalgamation on the same basis as any non-dissenting shareholder, as at and after the Effective Time, and are to receive Amalco Shares on the same basis determined in accordance with this Section 2.14;

but in no case is Amalco required to recognize such persons as holders of Desco Shares or Manitok Shares, as the case may be, after the Effective Date, and Desco or Manitok will delete the names of such persons from its register of holders of securities on the Effective Date; and

(d) the aggregate stated capital of Amalco shall be an amount equal to the aggregate paid up capital of Manitok and Desco immediately prior to such time, and such stated capital shall be allocated on an equal basis to each share of Amalco issued on the Amalgamation, or as otherwise determined by the directors of Amalco.

2.15 Restrictions on Securities

The parties acknowledge and agree that the securities of Amalco to be issued to the securityholders of Desco and Manitok pursuant to Section 2.14 hereof will be subject to compliance with applicable securities laws.

2.16 Certificates

At the Effective Time:

(a) the registered holders of Manitok Shares shall cease to be registered holders of such shares and shall be deemed to be the registered holders of Amalco Shares to which they are entitled in accordance with Section 2.14 hereof, and on or after the Effective Date the registered holders of certificates representing Manitok Shares may surrender such certificates to the Amalco Registrar and Transfer Agent, together with a completed Manitok Letter of Transmittal and, upon such surrender, shall be entitled to receive certificates representing the number of Amalco Shares to which they are entitled in accordance with Section 2.14, as soon as practicable, but in any event no later than five (5) Business Days following the later of the Effective Time and the date of deposit of a duly completed and executed Manitok Letter of Transmittal; and

(b) the registered holders of Desco Shares shall cease to be registered holders of Desco Shares, and shall be deemed to be registered holders of Amalco Shares to which they are entitled in accordance with Section 2.14 hereof, and on or after the Effective Date the registered holders of certificates representing Desco Shares may surrender such certificates to the Amalco Registrar and Transfer Agent, together with a completed Desco Letter of Transmittal and, upon such surrender, shall be entitled to receive certificates representing the number of Amalco Shares to which they are entitled in accordance with Section 2.14, as soon as practicable, but in any event no later than five (5) Business Days following the later of the Effective Time and the date of deposit of a duly completed and executed Desco Letter of Transmittal.

2.17 Lost Certificates

In the event any certificate which immediately prior to the Effective Date represented one or more outstanding Desco Shares or Manitok Shares that were exchanged pursuant to Section 2.14 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder thereof, as applicable, claiming such certificate to be lost, stolen or destroyed, the Amalco Registrar and Transfer Agent will issue in exchange for such lost, stolen or destroyed certificate, one or more certificates representing one or more Amalco Shares in each case deliverable pursuant to Section 2.14 hereof. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the holder to whom certificates representing such securities are to be issued shall, as a condition precedent to the issuance thereof, give a bond satisfactory to Amalco and the Amalco Registrar and Transfer Agent in such sum as Amalco may direct or otherwise indemnify Amalco in a manner satisfactory to Amalco against any claim that may be made against Amalco with respect to the certificate alleged to have been lost, stolen or destroyed.

2.18 Escrowed Securities

Desco and Manitok acknowledge that certain of the securities of Amalco to be issued to the securityholders of Desco and Manitok pursuant to the Amalgamation will be deposited into escrow in accordance with the policies of the TSXV. The parties further acknowledge that any securities of Amalco deposited into escrow shall be held in escrow and released as determined in accordance with the policies of the TSXV. The parties agree that the terms of the applicable escrow shall be negotiated by counsel for Desco and Manitok and the TSXV and the parties agree to accept such terms as imposed by the TSXV. Such escrowed securities of Amalco shall be held in escrow, pursuant to an escrow agreement prescribed by the TSXV.

2.19 Stock Option Plan

The stock option plan approved at each of the Desco Meeting and the Manitok Meeting shall be the stock option plan of Amalco.

ARTICLE 3
COVENANTS

3.1 Covenants of Manitok

Manitok covenants and agrees with Desco that Manitok will not, from the date of execution hereof and ending on the earlier of the Effective Date and the Termination Date, except with the prior written consent of Desco, such consent not to be unreasonably withheld:

(a) declare, pay or set aside any dividends or provide for any distribution of its properties or assets, or make any payment by way of return of capital or otherwise, to its shareholders;

(b) split, combine or reclassify any outstanding shares;

(c) enter into any material contract, other than in the ordinary course of business consistent with past practice;

(d) redeem, purchase or offer to purchase any of its shares or other securities;

(e) reorganize, amalgamate or merge with any other Person or other business organization whatsoever;

(f) acquire or agree to acquire (by merger, amalgamation, acquisition of securities or assets or otherwise) any Person or other business organization or division or any assets or properties of a material nature;

(g) incur or commit to incur any indebtedness for borrowed money, other than in the ordinary course of business consistent with past practice, or issue any debt securities;

(h) issue or commit to issue any shares of its capital stock, or rights, warrants or options to purchase such shares, or any securities convertible into such shares, warrants or options, other than in connection with the exercise of Manitok Options or Manitok's Other Convertible Securities;

(i) except as contemplated by this Agreement, alter or amend in any way its constating documents as the same exist at the date of this Agreement;

(j) take any action which would be outside the ordinary course of business or which may result in a Material Adverse Change;

(k) sell, pledge, lease, dispose of, grant any interest in, encumber or agree to sell, pledge, lease, dispose of, grant any interest in or encumber any material component of its assets, other than in the ordinary course of business consistent with past practice;

(l) engage in any business enterprise or other activity other than as contemplated herein;

(m) enter into any transaction with or make payments or issue securities to a party or parties with which Manitok does not deal at arm's length, other than in the ordinary course of business consistent with past practice;

(n) enter into any employment or consulting agreement with any director, officer or employee who has a policy-making function, or hire or promote any such person; or

(o) perform any act or enter into any transaction or negotiation which might materially adversely interfere or be materially inconsistent with the consummation of the transactions contemplated under this Agreement.

3.2 Further Covenants of Manitok

Manitok covenants and agrees with Desco that Manitok will:

(a) use all commercially reasonable efforts to obtain all necessary consents, assignments or waivers from third parties and amendments or terminations to any instrument or agreement and take such other measures as may be necessary to fulfil its obligations under and to carry out the transactions contemplated by this Agreement including, without limitation, the termination and cancellation of Manitok's Other Convertible Securities;

(b) prior to the earlier of the Effective Date and the Termination Date, convene the Manitok Meeting for the purpose of approving the Amalgamation and to solicit proxies to be voted at the Manitok Meeting in favour of the approval of the Amalgamation;

(c) prepare with Desco and distribute to the Manitok Shareholders in a timely and expeditious manner, the Circular, and any amendments or supplements to the Circular, all as required by applicable law, in all jurisdictions where the same is required complying in all material respects with all applicable legal requirements on the date of issue thereof;

(d) include in the Circular the recommendation of the board of directors of Manitok that the Manitok Shareholders vote in favour of the Amalgamation;

(e) provide Desco, on a timely basis, with all relevant information concerning it and its business, property, operations and financial statements for inclusion in the Circular;

(f) except for proxies and other non-substantive communications with securityholders, furnish promptly to Desco a copy of each notice, report, schedule or other document delivered, filed or received by it in connection with: (i) the Amalgamation; (ii) any filings under applicable laws; and (iii) any dealings with regulatory agencies in connection with the transactions contemplated herein;

(g) make other necessary filings and applications under applicable foreign, federal and provincial laws and regulations required on the part of it in connection with the transactions contemplated herein, and take all reasonable action necessary to be in compliance with such laws and regulations;

(h) use all commercially reasonable efforts to conduct its affairs so that all of its representations and warranties contained herein shall be true and correct on and as of the Effective Date as if made on the Effective Date, except to the extent that such representations and warranties require modification to give effect to the transactions contemplated herein;

(i) use all commercially reasonable efforts and do all such acts and things that are reasonably necessary to cause each of the conditions precedent set forth in Sections 5.1 and 5.3 hereof to be complied with;

(j) subject to the satisfaction of the conditions precedent in Sections 5.1 and 5.2 hereof, thereafter together with Desco file with the Registrar the Articles of Amalgamation and such other documents as may be required to give effect to the Amalgamation to be effective at the Effective Time and obtain a Certificate of Amalgamation in that regard; and

(k) notify Desco immediately upon becoming aware that any of the representations and warranties of Manitok contained herein are no longer true and correct in any material respect.

3.3 Covenants of Desco

Desco covenants and agrees with Manitok that Desco will not, from the date of execution hereof and ending on the earlier of the Effective Date and the Termination Date, except with the prior written consent of Manitok, such consent not to be unreasonably withheld:

(a) declare, pay or set aside any dividends or provide for any distribution of its properties or assets, or make any payment by way of return of capital or otherwise, to its shareholders;

(b) split, combine or reclassify any outstanding shares;

(c) enter into any material contract, other than in the ordinary course of business consistent with past practice;

(d) redeem, purchase or offer to purchase any of its shares or other securities;

(e) reorganize, amalgamate or merge with any other Person or other business organization whatsoever;

(f) acquire or agree to acquire (by merger, amalgamation, acquisition of securities or assets or otherwise) any Person or other business organization or division, or any assets or properties of a material nature;

(g) incur or commit to incur any indebtedness for borrowed money, other than in the ordinary course of business consistent with past practice, or issue any debt securities;

(h) issue or commit to issue any shares of its capital stock, or rights, warrants or options to purchase such shares, or any securities convertible into such shares, warrants or options, other than in connection with the exercise of Desco Options and Desco Agent's Options;

(i) except as contemplated by this Agreement, alter or amend in any way its constating documents or by-laws as the same exist at the date of this Agreement;

(j) take any action which would be outside the ordinary course of business or which may result in a Material Adverse Change;

(k) sell, pledge, lease, dispose of, grant any interest in, encumber or agree to sell, pledge, lease, dispose of, grant any interest in or encumber any material component of its assets other than in the ordinary course of business consistent with past practice;

(l) engage in any business enterprise or other activity, other than as contemplated herein and as required by law as a public company;

(m) enter into any transaction with or make payments or issue securities to a party or parties with whom Desco does not deal at arm's length, other than in the ordinary course of business consistent with past practice;

(n) enter into any employment or consulting agreement with any director, officer or employee who has a policy-making function, or hire or promote any such person; or

(o) perform any act or enter into any transaction or negotiation which might materially adversely interfere or be materially inconsistent with the consummation of the transactions contemplated under this Agreement.

3.4 Further Covenants of Desco

Desco covenants and agrees with Manitok that Desco will:

(a) use all commercially reasonable efforts to obtain all necessary consents, assignments or waivers from third parties and amendments or terminations to any instrument or agreement and take such other measures as may be necessary to fulfil its obligations under and to carry out the transactions contemplated by this Agreement, including obtaining the approval of the TSXV of the Amalgamation as Desco's Qualifying Transaction;

(b) prior to the earlier of the Effective Date and the Termination Date, convene the Desco Meeting for the purpose of approving the Amalgamation and to solicit proxies to be voted at the Desco Meeting in favour of the approval of the Amalgamation;

(c) prepare with Manitok, file and distribute to the Desco Shareholders in a timely and expeditious manner, the Circular and any amendments or supplements to the Circular, all as required by applicable law, in all jurisdictions where the same is required complying in all material respects with all applicable legal requirements on the date of issue thereof;

(d) include in the Circular the recommendation of the board of directors of Desco that the Desco Shareholders vote in favour of the Amalgamation;

(e) provide Manitok, on a timely basis, with all relevant information concerning it and its business, property, operations and financial statements for inclusion in the Circular;

(f) except for proxies and other non-substantive communications with securityholders, furnish promptly to Manitok a copy of each notice, report, schedule or other document delivered, filed or received by Desco in connection with: (i) the Amalgamation; (ii) any filings under applicable laws; and (iii) any dealings with regulatory agencies in connection with the transactions contemplated herein;

(g) make other necessary filings and applications under applicable foreign, federal and provincial laws and regulations required on the part of Desco in connection with the transactions contemplated herein, and take all reasonable action necessary to be in compliance with such laws and regulations;

(h) use all commercially reasonable efforts to conduct its affairs so that all of Desco's representations and warranties contained herein shall be true and correct on and as of the Effective Date as if made on the Effective Date, except to the extent that such representations and warranties require modification to give effect to the transactions contemplated herein;

(i) use all commercially reasonable efforts and do all such acts and things that are reasonably necessary to cause each of the conditions precedent set forth in Sections 5.1 and 5.2 hereof to be complied with;

(j) use all commercially reasonable efforts to cause, effective at the Effective Time, the resignation of each of the directors and officers of Desco and to execute and cause each of such directors and officers to execute mutual releases, conditional on Closing and effective at the Effective Time, each in form and substance satisfactory to Desco and Manitok, each acting reasonably (the "**Mutual Releases**") and Desco will cooperate with Manitok to provide an orderly transition of control and management of Desco;

(k) subject to the satisfaction of the conditions precedent in Sections 5.1 and 5.3 hereof, thereafter together with Manitok file with the Registrar the Articles of Amalgamation and such other documents as may be required to give effect to the Amalgamation to be effective at the Effective Time and obtaining a Certificate of Amalgamation in that regard; and

(l) notify Manitok immediately upon becoming aware that any of the representations and warranties of Desco contained herein are no longer true and correct in any material respect.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Desco

Desco represents and warrants to and in favour of Manitok as follows, and acknowledges that Manitok is relying upon such representations and warranties:

(a) Desco is a corporation incorporated under the laws of Alberta and is a valid and subsisting corporation under the ABCA and is in compliance, in all material respects, with the requirements of the ABCA;

(b) Desco has no Subsidiaries and does not hold any shares or other interests in any corporations, partnerships or trusts;

(c) Desco has the requisite power, capacity and authority to enter into this Agreement on the terms and conditions herein set forth and to perform its obligations hereunder;

(d) the execution and delivery of this Agreement and the consummation of the transactions contemplated herein have been, or in respect of the transactions contemplated herein have been duly approved by the board of directors of Desco and this Agreement constitutes a valid and binding obligation of Desco enforceable against it in accordance with its terms, subject, however, to limitations imposed by law in connection with bankruptcy or similar proceedings and to the extent that equitable remedies such as specific performance or injunction are granted at the discretion of a court of competent jurisdiction;

(e) no consent, approval, order or authorization of, or registration, declaration or filing with, any third party or governmental entity is required by or with respect to Desco in connection with the execution and delivery of this Agreement by Desco, the performance of its obligations hereunder or the consummation by Desco of the transactions contemplated hereby other than: (a) the approval of the Amalgamation by the Desco Shareholders; (b) the approval of the Amalgamation as Desco's Qualifying Transaction and the listing of the Amalco Shares to be issued under the Amalgamation and those Amalco Shares to be issued upon the exercise of the Amalco Convertible Securities by the TSXV; (c) such registrations and other actions required under provincial and territorial securities laws as are contemplated by this Agreement and registrations and applications required as a result of the formation of a new corporation on the Amalgamation; (d) any filings with the Registrar; and (e) any other consents, approvals, orders, authorizations, registrations, declarations or filings which, if not obtained or made, would not, individually or in the aggregate, have a Material Adverse Effect on Desco or prevent or materially impair Desco's ability to perform its obligations hereunder;

(f) the entering into and performance of this Agreement and the transactions contemplated herein by Desco will not violate:

(i) the constating documents or by-laws of Desco;

(ii) any agreement to which Desco is a party and will not give any person or company any right to terminate or cancel any agreement or any right enjoyed by Desco because of such agreement, and will not result in the creation or imposition of any lien, encumbrance or restriction of any nature whatsoever in favour of a third party upon or against Desco or the assets of Desco; or

(iii) any statute, regulation, by-law, order, judgment, or decree by which Desco is bound, except for such violations which would not have a Material Adverse Effect on Desco or the Desco Shares;

(g) Desco is a "reporting issuer" or equivalent under applicable securities legislation in the Provinces of Alberta, British Columbia, Manitoba and Ontario, is not in default of the requirements of such legislation or the regulations and rules thereto or the policies and requirements of the TSXV, and the issued and outstanding Desco Shares are currently listed and posted for trading on the TSXV;

(h) no cease trade order has been issued against Desco or the Desco Shares in any jurisdiction, and, to the knowledge of Desco, no cease trade order is pending or threatened;

(i) the authorized share capital of Desco consists of an unlimited number of Desco Shares and an unlimited number of preferred shares, issuable in series, of which 6,250,000 Desco Shares are issued and outstanding as fully paid and non-assessable shares in the capital of Desco and nil preferred shares of Desco are issued and outstanding;

(j) except for the Desco Options and the Desco Agent's Options, no Person has any agreement, option or right to acquire or capable of becoming an agreement for the purchase or acquisition of any of the unissued share capital of Desco, or any other securities of Desco;

(k) there is no suit, action, litigation, arbitration proceeding or governmental proceeding, including appeals and applications for review, in progress, pending or, to the knowledge of Desco, threatened against or relating to Desco or affecting its properties or business which if determined adversely to Desco might materially and adversely affect the properties, business, future prospects or the financial condition of Desco, or the right of Desco to use, produce or sell its property or assets in whole or in part. There is not presently outstanding against Desco any judgment, injunction, rule or order of any court, governmental department, commission, agency or arbitrator;

(l) Desco has not experienced nor, to the knowledge of Desco, is it aware of any occurrence or event which has had, or might reasonably be expected to have, a Material Adverse Effect on Desco;

(m) Desco has not incurred any obligation or liability, contingent or otherwise, for broker's fees, commissions or finder's fees or other similar fees in respect of the transactions contemplated by this Agreement;

(n) the Desco Financial Statements were prepared in accordance with Canadian GAAP (except (i) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Desco's independent auditors or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes, are subject to normal year end adjustments, are subject to adjustments identified by Desco's independent auditor in conjunction with its review of Desco's unaudited interim financials as at and for the period ended September 30, 2009 or may be condensed or summary statements), and fairly present in accordance with Canadian GAAP the financial position, results of operations and changes in financial position of Desco 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 and adjustments identified by Desco's independent auditor in connection with its review of Desco's unaudited interim financial statements as at and for the period ended September 30, 2009) and reflect appropriate and adequate reserves in respect of contingent liabilities, if any, of Desco. There has been no change in Desco's accounting policies, except as described in the notes to the Desco Financial Statements, since August 31, 2009;

(o) Desco has no material liabilities, contingent or otherwise, except those set out in the Desco Financial Statements, and Desco has not guaranteed or indemnified, or agreed to guarantee or indemnify, any debt, liability or other obligation of any Person;

(p) Desco is not indebted to:

(i) any director, officer or shareholder of Desco;

(ii) any individual related to any of the foregoing by blood, marriage or adoption; or

(iii) any corporation controlled, directly or indirectly, by any one or more of those Persons referred to in subsections 4.1(p)(i) and (ii) hereof;

(q) none of those Persons referred to in subsection 4.1(p) hereof is indebted to Desco;

(r) the information concerning Desco to be set forth in the Circular will contain no untrue statement of a material fact and will not omit to state a material fact that is required to be stated or that is necessary to make a statement therein not misleading in the light of the circumstances in which it will be made, and such information in the Circular will constitute full, true and plain disclosure of all material facts relating to the particular matters concerning Desco to be acted upon by the Desco Shareholders at the Desco Meeting;

(s) no notices, reports or other filings are required to be made by Desco with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by Desco from, any governmental or regulatory authority, other than the TSXV, and the usual filings under applicable Canadian securities laws, in connection with the execution and delivery of this Agreement by Desco and the consummation of the transactions contemplated herein by Desco, the failure to make or obtain any or all of which is reasonably likely to have a Material Adverse Effect on Desco or could prevent, materially delay or materially burden the transactions contemplated by this Agreement;

(t) Desco has filed all required forms, reports and documents (collectively, the "**Desco Public Disclosure**") with the applicable Canadian regulatory authorities having jurisdiction. None of the Desco Public Disclosure filed by Desco with the applicable Canadian securities regulatory authorities having jurisdiction, at the time filed or as subsequently amended, contained any misrepresentation or any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(u) the Circular, as of the date thereof, will contain disclosure respecting all material contracts, agreements and commitments (whether written or oral) to which Desco is a party, and all of such material contracts, agreements and commitments are in full force and effect and Desco is not in default, in any material respect, under any of such contracts, agreements or commitments, save and except for any breach or default which is not material or which has been waived by the other party to such contract, agreement or commitment;

(v) there does not exist any state of facts which after notice or lapse of time, or both, will constitute a default or breach on the part of Desco under any of the provisions contained in any of the material contracts, commitments or agreements referred to in subsection 4.1(t) hereof;

(w) the corporate records and minute books of Desco are current and complete in all material respects and represent accurate minutes of all meetings of the directors (and committees thereof) and shareholders since its date of incorporation, together with the full text of all resolutions of directors and shareholders passed in lieu of such meeting, duly signed;

(x) except as regards any matter relating to Manitok, there are no reasonable grounds for believing that a creditor of Desco will be prejudiced by the Amalgamation;

(y) as at December 31, 2009, Desco had a working capital surplus of approximately $610,000 and the total amount of Desco's liabilities included in the working capital surplus was $nil; and

(z) Desco represents that the aggregate of amounts under any obligations or liabilities of Desco to pay any amounts to their respective officers, directors, employees or consultants other than for salary and director's fees in the ordinary course, in each case in amounts consistent with historic practices and, without limiting the generality of the foregoing, including the obligations of Desco to officers, employees or consultants for severance (assuming all such officers, employees and consultants are terminated at the Effective Time), termination or bonus payments upon a change of control of Desco pursuant to their respective severance policies will be $nil.

4.2 Representations and Warranties of Manitok

Manitok represents and warrants to and in favour of Desco as follows, and acknowledges that Desco is relying upon such representations and warranties:

(a) Manitok is a corporation duly incorporated under the laws of Alberta and is a valid and subsisting corporation under the ABCA and is in compliance, in all material respects, with the requirements of the ABCA;

(b) Manitok has no Subsidiaries and does not hold any shares or other interests in any corporations, partnerships or trusts;

(c) Manitok is not a "reporting issuer" in any jurisdiction;

(d) Manitok has the requisite power, capacity and authority to enter into this Agreement on the terms and conditions herein set forth and to perform its obligations hereunder;

(e) the execution and delivery of this Agreement and the consummation of the transactions contemplated herein have been, or in respect of the transactions contemplated herein have been duly approved by the board of directors of Manitok and this Agreement constitutes a valid and binding obligation of Manitok enforceable against it in accordance with its terms, subject, however, to limitations imposed by law in connection with bankruptcy or similar proceedings and to the extent that equitable remedies such as specific performance or injunction are granted at the discretion of a court of competent jurisdiction;

(f) no consent, approval, order or authorization of, or registration, declaration or filing with, any third party or governmental entity is required by or with respect to Manitok in connection with the execution and delivery of this Agreement by Manitok, the performance of its obligations hereunder or the consummation by Manitok of the transactions contemplated hereby other than: (a) the approval of the Amalgamation by the Manitok Shareholders; (b) such registrations and other actions required under provincial and territorial securities laws as are contemplated by this Agreement and registrations and applications required as a result of the formation of a new corporation on the Amalgamation; (c) any filings with the Registrar; and (d) any other consents, approvals, orders, authorizations, registrations, declarations or filings which, if not obtained or made, would not, individually or in the aggregate, have a Material Adverse Effect on Manitok or prevent or materially impair Manitok's ability to perform its obligations hereunder;

(g) the entering into and performance of this Agreement and the transactions contemplated herein by Manitok will not violate:

(i) the constating documents or by-laws of Manitok;

(ii) any agreement to which Manitok is a party and will not give any person or company any right to terminate or cancel any agreement or any right enjoyed by Manitok because of such agreement, and will not result in the creation or imposition of any lien, encumbrance or restriction of any nature whatsoever in favour of a third party upon or against Manitok or the assets of Manitok; or

(iii) any statute, regulation, by-law, order, judgment, or decree by which Manitok is bound, except for such violations which would not have a Material Adverse Effect on Manitok or the Manitok Shares;

(h) the authorized share capital of Manitok consists of an unlimited number of Manitok Shares and an unlimited number of preferred shares, issuable in series, of which 10,649,567 Manitok Shares are issued and outstanding as fully paid and non-assessable shares in the capital of Manitok;

(i) except for the Manitok Options and except for Manitok's Other Convertible Securities (which are to be terminated and cancelled on or before the Effective Date) no Person has any agreement, option or right to acquire or capable of becoming an agreement for the purchase or acquisition of any of the unissued share capital of Manitok, or any other securities of Manitok;

(j) there is no suit, action, litigation, arbitration proceeding or governmental proceeding, including appeals and applications for review, in progress, pending or, to the knowledge of Manitok threatened against or relating to Manitok or affecting its properties or business which if determined adversely to Manitok might materially and adversely affect the properties, business, future prospects or the financial condition of Manitok or the right of Manitok to use, produce or sell its property or assets in whole or in part. There is not presently outstanding against Manitok, any judgment, injunction, rule or order of any court, governmental department, commission, agency or arbitrator;

(k) since September 30, 2009, except as has been disclosed in the Manitok Financial Statements, Manitok has not experienced nor, to the knowledge of Manitok, is it aware of any occurrence or event which has had, or might reasonably be expected to have, a Material Adverse Effect on Manitok;

(l) Manitok has not incurred any obligation or liability, contingent or otherwise, for broker's fees, commissions or finder's fees or other similar fees in respect of the transactions contemplated by this Agreement;

(m) the Manitok Financial Statements were prepared in accordance with Canadian GAAP (except (i) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Manitok's independent auditors or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes, are subject to normal year end adjustments, are subject to adjustments identified by Manitok's independent auditor in conjunction with its review of Manitok's unaudited interim financials as at and for the period ended September 30, 2009 or may be condensed or summary statements), and fairly present in accordance with Canadian GAAP the financial position, results of operations and changes in financial position of Manitok 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 and adjustments identified by Manitok's independent auditor in connection with its review of Manitok's unaudited interim financial statements as at and for the period ended September 30, 2009) and reflect appropriate and adequate reserves in respect of contingent liabilities, if any, of Manitok. There has been no change in Manitok's accounting policies, except as described in the notes to the Manitok Financial Statements, since September 30, 2009;

(n) Manitok has no material liabilities, contingent or otherwise, except those set out in the Manitok Financial Statements, and Manitok has not guaranteed or indemnified, or agreed to guarantee or indemnify, any debt, liability or other obligation of any Person;

(o) Manitok is not indebted to:

   (i) any director, officer or shareholder of Manitok;

   (ii) any individual related to any of the foregoing by blood, marriage or adoption; or

   (iii) any corporation controlled, directly or indirectly, by any one or more of those Persons referred to in subsections 4.2(o)(i) and (ii) hereof;

(p) none of those Persons referred to in subsection 4.2(o) hereof is indebted to Manitok;

(q) the information concerning Manitok to be set forth in the Circular will contain no untrue statement of a material fact and will not omit to state a material fact that is required to be stated or that is necessary to make a statement therein not misleading in the light of the circumstances in which it will be made, and such information in the Circular will constitute full, true and plain disclosure of all material facts relating to the particular matters concerning Manitok to be acted upon by the Manitok Shareholders at the Manitok Meeting;

(r) no notices, reports or other filings are required to be made by Manitok with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by Manitok from, any governmental or regulatory authority, in connection with the execution and delivery of this Agreement by Manitok and the consummation of the transactions contemplated herein by Manitok, the failure to make or obtain any or all of which is reasonably likely to have a Material Adverse Effect on the financial condition of Manitok or could prevent, materially delay or materially burden the transactions contemplated by this Agreement;

(s) Manitok is duly licensed, registered and qualified, in all material respects, and possesses all material certificates, authorizations, permits or licenses issued by the appropriate regulatory authorities in the jurisdictions necessary to enable its business to be carried on as now conducted and to enable its properties and assets to be owned, leased and operated as they are now, and all such licenses, registrations and qualifications are in good standing, in all material respects;

(t) the Circular, as of the date thereof, will contain disclosure respecting all material contracts, agreements and commitments (whether written or oral) to which Manitok is a party, and all of such material contracts, agreements and commitments are in full force and effect and Manitok is not in default under any of such contracts, agreements or commitments, save and except for any breach or default which is not material or which has been waived by the other party to such contract, agreement or commitment;

(u) there does not exist any state of facts which after notice or lapse of time, or both, will constitute a material default or breach on the part of Manitok under any of the provisions contained in any of the material contracts, commitments or agreements referred to in subsection 4.2(s) hereof;

(v) the corporate records and minute books of Manitok are current and complete in all material respects and represent accurate minutes of all meetings of the directors (and committees thereof) and shareholders since the date of incorporation, together with the full text of all resolutions of directors and shareholders passed in lieu of such meeting, duly signed;

(w) Manitok maintains sufficient property, general liability and third party insurance and all of such insurance policies are in good standing and in the opinion of management of Manitok are sufficient, in all material respects, to protect Manitok against potential liabilities of the business of Manitok;

(x) except as regards any matter relating to Desco, there are no reasonable grounds for believing that a creditor of Manitok will be prejudiced by the Amalgamation;

(y) all operations of Manitok and, to the knowledge of Manitok, all operations conducted by third parties on or in respect of the assets and properties of Manitok, have been conducted and are being conducted, in all material respects, in accordance with good oilfield practices;

(z) the interests of Manitok in its petroleum and natural gas properties (the "**Manitok Interests**") are free and clear of adverse claims created by, through, or under Manitok, except as disclosed in the Manitok Financial Statements or those arising in the ordinary course of business that have not had, and will not have, a Material Adverse Effect on Manitok and, to its knowledge, Manitok holds the Manitok Interests under valid and subsisting licenses, leases, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements, except where the failure to so hold the Manitok Interests would not have a Material Adverse Effect on Manitok;

(aa) although it does not warrant title to the Manitok Interests, Manitok is not aware of any defects, failures or impairments to the title to any oil and gas properties held by it, whether or not an action, suit, proceeding or inquiry is pending or threatened and whether or not discovered by any third party, which, taken together if more than one, could reasonably be expected to materially adversely affect: (a) the quantity and pre-tax present worth values of its oil and gas reserves; (b) the current production attributable to its oil and gas properties; or (c) the current cash flow from such properties;

(bb) Manitok has made available to Desco all Documents of Title and other documents and agreements in its possession affecting the title of Manitok to its oil and gas properties;

(cc) other than as disclosed in writing to Desco, there have not been any spills, emissions or pollution on any property of Manitok, Manitok has not been subject to any stop orders, control orders, clean-up orders or reclamation orders under applicable laws or regulations relating to the protection of the environment, hazardous substances or public and occupational health and safety (collectively, "**Environmental Laws**") that might reasonably be expected to have a Material Adverse Effect on Manitok. All operations of Manitok have been and are now being conducted in compliance with all applicable Environmental Laws, except where the failure to be in compliance would not reasonably be expected to cause a Material Adverse Change in respect of Manitok, Manitok is not subject to or aware of:

(i) any proceeding, application, order or directive that relates to environmental, health or safety matters, and which may require any material work, repairs, construction or expenditures on the part of Manitok; and

(ii) any demand or notice with respect to the breach of any Environmental Laws applicable to Manitok, including any notice or demand respecting the use, storage, treatment, transportation or disposition of any hazardous substances that would reasonably be expected to cause a Material Adverse Change in respect of Manitok;

(dd) the Sproule Report has been prepared or audited by Sproule as a qualified reserves evaluator (determined in accordance with NI 51-101) and the results thereof may be disclosed in accordance with NI 51-101. Manitok made available to Sproule, prior to the issuance of the Sproule Report, for the purpose of preparing the Sproule Report, all information requested by Sproule, which information, taken as a whole, did not contain any misrepresentation at the time such information was provided. Manitok has no knowledge of any material adverse change in the information, taken as a whole, provided to Sproule since the date that such information was provided. Subject to changes in commodity prices and production which has occurred since June 30, 2009, to the knowledge of Manitok, the Sproule Report reasonably presented the quantity and pre-tax present worth values of the oil and gas reserves of Manitok as at June 30, 2009 based upon information available at the time the Sproule Report was prepared and the assumptions as to commodity prices and costs contained therein;

(ee) with respect to tax matters:

(i) all Tax Returns required to be filed by or on behalf of Manitok have been duly filed on a timely basis and such Tax Returns were complete and, to the best of Manitok's knowledge, correct in all material respects at the time of filing. All Taxes shown to be payable on such Tax Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis and no other Taxes are payable by Manitok with respect to items or periods covered by such Tax Returns;

(ii) Manitok has paid or provided adequate accruals for Taxes as at June 30, 2009 in the Manitok Financial Statements as at and for the year ended June 30, 2009, in conformity with Canadian GAAP applied on a basis consistent with those of prior years;

(iii) for all periods covered by Tax Returns filed by Manitok since June 30, 2007, Manitok has made available at Manitok's offices to Desco true and complete copies of: (i) material portions of income tax audit reports, statements of deficiencies or other agreements received by Manitok relating to Taxes; and (ii) all material Tax Returns for Manitok;

(iv) to the best of Manitok's knowledge, no material deficiencies exist or have been asserted against Manitok with respect to Taxes. Manitok is not a party to any action or proceeding for assessment or collection of Taxes, nor has such event been asserted or to Manitok's knowledge threatened against Manitok or any of its assets. No waiver or extension of any statute of limitations is in effect with respect to Taxes or Tax Returns of Manitok. There is no audit in process, pending or, to the knowledge of Manitok, threatened by a Governmental Authority relating to the Tax Returns of Manitok;

(v) Manitok has withheld from each payment made to any of its present or former employees, officers and directors, and to all persons who are non-residents of Canada for the purposes of the Tax Act, all amounts required by law and has remitted such withheld amounts within the prescribed periods to the appropriate Governmental Authority. Manitok has remitted all Canada Pension Plan contributions, employment insurance premiums, and other Taxes payable by it in respect of its employees and has remitted such amounts to the proper Governmental Authority within the time required by applicable law. Manitok has charged, collected and remitted on a timely basis all Taxes as required by applicable law on any sale, supply or delivery whatsoever, made by Manitok;

(vi) to Manitok's knowledge, all *ad valorem*, property, production severance and similar Taxes and assessments based on or measured by the ownership of property or the production of Manitok's hydrocarbon substances, or the receipt of proceeds therefrom, payable in respect of oil and gas assets held by Manitok prior to the date hereof have been properly and fully paid and discharged in all material respects, and there are no unpaid Taxes or assessments that could result in a lien or charge on such oil and gas assets;

(vii) as required by applicable law, Manitok has collected and remitted to the appropriate Governmental Authority on a timely basis, all goods and services tax, other applicable value added taxes, provincial sales tax and other applicable sales or use taxes properly payable to it;

(viii) there are no reassessments of Taxes of Manitok that have been issued and are outstanding, and Manitok has not received any indication from any Governmental Authority that any such reassessments are proposed;

(ix) Manitok has not claimed a reserve in respect of an amount that could be included in income for any period ending after the Effective Date;

(x) there are no liens for Taxes upon Manitok or any of its properties or assets except liens for current Taxes not yet due and payable;

(xi) Manitok will not be required to include any item of income in, or exclude any item of deduction from, its taxable income for any Tax period ending after the Effective Date as a result of any change in method of accounting for a taxable period beginning prior to the Effective Date, or prepaid amounts received on or prior to the Effective Date;

(xii) Manitok is not a party to or bound by any income or tax allocation or sharing agreement or the subject of an advance income tax ruling;

(xiii) other than as set out herein, for purposes of the Tax Act or any applicable provincial taxing statute, no person or group of persons has ever acquired or had the right to acquire control of Manitok;

(xiv) none of sections 78, 80, 80.01, 80.02, 80.03 or 80.04 of the Tax Act, or any equivalent provision of the taxation legislation of any applicable province of Canada, have applied or will apply to Manitok at any time up to and including the Effective Date and Manitok has not acquired or disposed of property in circumstances which could be subject to liability under section 160 of the Tax Act; and

(xv) Manitok has not been a party to any transaction whereby it has transferred or acquired property on a tax-deferred basis in respect of which the amount used to determine the proceeds of disposition for purposes of the Tax Act was different than the amount used for provincial tax purposes;

(ff) as at December 31, 2009, Manitok had an estimated working capital surplus of approximately $600,000 and the estimated total amount of Manitok's liabilities included in the working capital surplus was approximately $350,000;

(gg) Manitok's average daily production for the month of January, 2010 was approximately 185 barrels of oil equivalent per day (assuming the conversion of gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil);

(hh) as at December 31, 2009, Manitok's estimated Tax Attributes were not less than approximately $10,661,083, in the aggregate; and

(ii) except for capital and operating costs incurred in the ordinary course of business, as of the date hereof, Manitok has no material outstanding authorities for expenditures or other financial commitments in respect of the Manitok Interests other than disclosed in writing to Desco.

ARTICLE 5
CONDITIONS PRECEDENT AND OTHER MATTERS

5.1 Mutual Conditions Precedent

The respective obligations of the parties hereto to consummate the transactions contemplated herein are subject to the satisfaction, on or before the Effective Date, of the following conditions any of which may be waived by the mutual consent of such parties without prejudice to their rights to rely on any other or others of such conditions:

(a) the Amalgamation shall have been approved by the required majority of the votes of the shareholders of each of Desco and Manitok who, being entitled to do so, vote in person or by proxy at the Desco Meeting or Manitok Meeting in accordance with the provisions of the ABCA and, if applicable, the shareholders of Desco shall have approved the Amalgamation in accordance with the provisions of Part 8 of MI 61-101;

(b) the TSXV shall have conditionally approved the Amalgamation as Desco's Qualifying Transaction and the Amalco Shares to be issued following the Effective Time shall have been conditionally approved for listing by the TSXV, subject to Amalco fulfilling the TSXV's usual and ordinary listing requirements;

(c) each of the Manitok Shareholders and the Desco Shareholders shall have duly approved a stock option plan for Amalco;

(d) there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by this Agreement;

(e) all consents, orders and approvals, including, without limitation, regulatory approvals, required or necessary or desirable for the completion of the transactions provided for in this Agreement shall have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances, all on terms satisfactory to each of the parties hereto, acting reasonably; and

(f) this Agreement shall not have been terminated in accordance with Section 7.2 of this Agreement.

5.2 Conditions to Obligations of Manitok

The obligation of Manitok to consummate the transactions contemplated herein is subject to the satisfaction, on or before the Effective Date, or such other date specified below, of the following conditions:

(a) each of the acts and undertakings of Desco to be performed on or before the Effective Date pursuant to the terms of this Agreement shall have been duly performed by Desco in all material respects;

(b) no Material Adverse Change in Desco shall have occurred between the date hereof and the Effective Date;

(c) except as affected by the transactions contemplated herein, the representations and warranties of Desco contained in Section 4.1 hereof shall be true in all material respects on the Effective Date with the same effect as though such representations and warranties had been made at and as of such time and Manitok shall have received a certificate to that effect, dated the Effective Date, from an officer of Desco acceptable to Manitok, to the best of his knowledge, after having made reasonable inquiry;

(d) the covenants of Desco contained in Sections 3.3 and 3.4 hereof shall have been complied with, and Manitok shall have received a certificate dated the Effective Date of an officer of Desco to such effect;

(e) Desco shall have furnished Manitok with:

(i) certified copies of the resolutions passed by the board of directors of Desco approving this Agreement and the consummation of the transactions contemplated herein;

(ii) certified copies of the resolutions passed by the Desco Shareholders at the Desco Meeting approving the Amalgamation Agreement; and

(iii) a conditional approval letter from the TSXV approving the Amalgamation as Desco's Qualifying Transaction and approving the listing of the Amalco Shares issuable pursuant to the Amalgamation, subject to the usual terms and conditions with respect to listing;

(f) not more than 10% of the Desco Shareholders shall have exercised rights of dissent in relation to the Amalgamation and Desco shall have provided to Manitok a certificate of an officer of Desco certifying on the Effective Date the number of Desco Shares in respect of which, to such officer's knowledge, the holders thereof have exercised rights of dissent;

(g) all the Desco Options and all the Desco Agent's Options shall have been exercised prior to the Effective Time; and

(h) each of the directors and officers of Desco shall have provided their resignations (in the case of directors, in a manner that allows for the orderly replacement of directors on the Effective Date) in favour of Desco, conditional on Closing and effective on the Effective Time, each in form and substance and on such terms as are satisfactory to Manitok, acting reasonably, and each of such directors and officers of Desco shall have provided Mutual Releases.

The conditions described above are for the exclusive benefit of Manitok and may be asserted by Manitok regardless of the circumstances, or may be waived by Manitok in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Manitok may have hereunder or at law.

5.3 Conditions to Obligations of Desco

The obligations of Desco to consummate the transactions contemplated herein are subject to the satisfaction, on or before the Effective Date, or such other date specified below, of the following conditions:

(a) each of the acts and undertakings of Manitok to be performed on or before the Effective Date pursuant to the terms of this Agreement shall have been duly performed by Manitok in all material respects;

(b) no Material Adverse Change in Manitok shall have occurred between the date hereof and the Effective Date;

(c) except as affected by the transactions contemplated herein, the representations and warranties of Manitok contained in Section 4.2 hereof shall be true in all material respects on the Effective Date with the same effect as though such representations and warranties had been made at and as of such time, and Desco shall have received a certificate to such effect, dated the Effective Date, of a senior officer of Manitok acceptable to Desco to the best of his knowledge, after having made reasonable inquiry;

(d) the covenants of Manitok contained in Sections 3.1 and 3.2 hereof shall have been complied with, and Desco shall have received a certificate, dated the Effective Date, of an officer of Manitok to such effect;

(e) Manitok shall have furnished Desco with:

  (i) certified copies of the resolutions passed by the board of directors of Manitok approving this Agreement and the consummation of the transactions contemplated herein; and

  (ii) certified copies of the resolutions passed by the Manitok Shareholders at the Manitok Meeting approving the Amalgamation Agreement;

(f) not more than 10% of the Manitok Shareholders shall have exercised rights of dissent in relation to the Amalgamation and Manitok shall have provided to Desco a certificate of an officer of Manitok certifying on the Effective Date the number of Manitok Shares in respect of which, to such officer's knowledge, the holders thereof have exercised rights of dissent; and

(g) the Manitok Convertible Securities shall have been either exercised for Manitok Shares or the Manitok Convertible Securities shall have been terminated and cancelled for nominal consideration prior to the Effective Time.

The conditions described above are for the exclusive benefit of Desco and may be asserted by Desco regardless of the circumstances, or may be waived by Desco in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Desco may have hereunder or at law.

5.4 Amalgamation of Conditions

The conditions set out in Sections 5.1, 5.2 and 5.3 hereof shall be conclusively deemed to have been satisfied, waived or released on the filing by Desco and Manitok of the Articles of Amalgamation with the Registrar.

5.5 Acknowledgements

Each of Manitok and Desco acknowledges and agrees that:

(a) Amalco shall fulfil its obligations pursuant to indemnities provided or available to past and present officers and directors of Manitok and Desco pursuant to the provisions of their respective constating documents and the ABCA, as applicable, and its officers and directors; and

(b) the provisions of subsection (a) above are (i) intended for the benefit of all present and former directors and officers of Manitok and Desco, 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 each of Manitok and Desco shall hold the rights and benefits of subsection (a) above in trust for and on behalf of their respective Third Party Beneficiaries and each of Manitok and Desco hereby accept such trust and agree to hold the benefit of and enforce performance of such covenants on behalf of their respective Third Party Beneficiaries, and (ii) in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by contract or otherwise.

ARTICLE 6
NOTICES

6.1 Notices

All notices, requests and demands hereunder, which may or are required to be given pursuant to any provision of this Agreement, shall be given or made in writing and shall be delivered by courier, Facsimile or Email as follows:

(a) to Desco, addressed to:

c/o 1000 Canterra Tower, 400 - 3rd Avenue S.W.
Calgary, Alberta T2P 4H2

Attention: President
Facsimile: (403) 266-1395
Email: bobdales@shaw.ca

with a copy to:

Borden Ladner Gervais LLP
1000 Canterra Tower, 400 - 3rd Avenue S.W.
Calgary, Alberta T2P 4H2

Attention: William C. Guinan
Facsimile: (403) 266-1395
Email: bguinan@blgcanada.com

(b) to Manitok, addressed to:

2500, 639 – 5th Avenue S.W.
Calgary, Alberta T2P 0M9

Attention: President
Facsimile: (403) 984-1749
Email: mass@manitok.com

with a copy to:

Gowling Lafleur Henderson LLP
1400 Scotia Centre, 700 – 2nd Street S.W.
Calgary, Alberta T2P 4V5

Attention: Gregory E. Peterson
Facsimile: (403) 263-9193
Email: Gregory.Peterson@gowlings.com

or to such other addresses, facsimile numbers or email addresses as the parties may, from time to time, advise the other parties hereto by notice in writing. All notices, requests and demands hereunder shall be deemed to have been received, if delivered by courier on the date of delivery and if sent by facsimile or email, on the next Business Day after the transmission was sent.

ARTICLE 7
AMENDMENT AND TERMINATION OF AGREEMENT

7.1 Amendment

This Agreement may, at any time and from time to time before or after the holding of the Desco Meeting and the Manitok Meeting, be amended by written agreement of the parties hereto without, subject to applicable law, further notice to or authorization on the part of their respective shareholders and any such amendment may, without limitation:

(a) change the time for performance of any of the obligations or acts of the parties hereto;

(b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;

(c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the parties hereto; or

(d) waive compliance with or modify any other conditions precedent contained herein;

provided that no such amendment shall change the provisions hereof regarding the consideration to be received by the securityholders of Desco and the securityholders of Manitok without approval by such securityholders of Desco and Manitok given in the same manner as required for the approval of the Amalgamation.

7.2 Rights of Termination

If any of the conditions contained in Article 5 hereof shall not be fulfilled or performed by April 30, 2010 (the "**Termination Date**") or such other date mutually agreed upon by Desco and Manitok and such condition is contained in:

(a) Section 5.1 hereof, any of the parties hereto may terminate this Agreement by notice to the other party;

(b) Section 5.2 hereof, Manitok may terminate this Agreement by notice to Desco; or

(c) Section 5.3 hereof, Desco may terminate this Agreement by notice to Manitok.

If this Agreement is terminated as aforesaid, the party terminating this Agreement shall be released from all obligations under this Agreement, other than those obligations under Sections 8.9 and 8.13, all rights of specific performance against such party shall terminate and, unless such party can show that the condition or conditions the non-performance of which has caused such party to terminate this Agreement were reasonably capable of being performed by the other party, then the other party shall also be released from all obligations hereunder; and further provided that any of such conditions may be waived in full or in part by either of the parties without prejudice to its rights of termination in the event of the non-fulfillment or non-performance of any other condition.

7.3 Notice of Unfulfilled Conditions

If either of Desco or Manitok shall determine at any time prior to the Effective Date that it intends to refuse to consummate the Amalgamation or any of the other transactions contemplated hereby because of any unfulfilled or unperformed condition contained in this Agreement on the part of the other of them to be fulfilled or performed, Desco or Manitok, as the case may be, shall so notify the other of them forthwith upon making such determination in order that such other of them shall have the right and opportunity to take such steps, at its own expense, as may be necessary for the purpose of fulfilling or performing such condition within a reasonable period of time, but in no event later than the earlier of the Effective Date and the Termination Date.

7.4 Mutual Termination

This Agreement may, at any time before or after the holding of the Desco Meeting and the Manitok Meeting, but no later than the last Business Day immediately preceding the Effective Date, be terminated by mutual agreement of Desco and Manitok without further action on the part of the Desco Shareholders or Manitok Shareholders, and if the Amalgamation does not become effective on or before the Termination Date, either Desco or Manitok may unilaterally terminate this Agreement, which termination will be effective upon notice thereof being given to the other of them.

ARTICLE 8
GENERAL

8.1 Stand Still Agreement

As long as this Agreement is in effect and except as contemplated herein, neither Desco nor Manitok (including their respective directors, officers and agents) will solicit any discussions, expressions of interest, proposals or accept any offers from any Person relating to a possible amalgamation, arrangement or relating to the sale of substantially all of the shares or assets, or any controlling equity interest of Desco or Manitok, as applicable, provided however that the board of directors of Desco and Manitok, as applicable, may take action or refrain from taking action as is appropriate to satisfy applicable fiduciary duties and none of the covenants of Desco and Manitok contained herein shall prevent the board of directors of Desco and Manitok, as applicable, from taking such action and further provided that Desco and Manitok (including their directors, officers and agents) may, after the Termination Date, solicit and accept offers if the Articles of Amalgamation are not filed with the Registrar by the Termination Date.

8.2 Disclosure of Alternative Transaction

In the event either Manitok or Desco shall receive an unsolicited proposal, offer or expression of interest in connection with any of those matters referred to in Section 8.1 hereof on or before the Termination Date, the recipient of such proposal, offer or expression of interest shall notify the other parties hereto and shall provide details of such proposal, offer or expression of interest to the other parties hereto.

8.3 Entire Agreement

The terms and provisions herein contained and the schedules hereto constitute the entire agreement between the parties and shall supersede all previous oral or written communications, including the Letter of Intent dated January 6, 2010, as amended, between the parties.

8.4 Binding Effect

This Agreement shall be binding upon and enure to the benefit of the parties hereto.

8.5 Waiver and Modification

Manitok and Desco may waive or consent to the modification of, in whole or in part, any inaccuracy or any representation or warranty made to them hereunder or in any document to be delivered pursuant hereto and may waive or consent to the modification of any of the covenants or agreements herein contained for their respective benefit or waive or consent to the modification of any of the obligations of the other parties hereto. Any waiver or consent to the modification of any of the provisions of this Agreement, to be effective, must be in writing executed by the party granting such waiver or consent.

8.6 No Personal Liability

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

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

8.7 Assignment

No party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written consent of the other party.

8.8 Public Disclosure

The parties agree to consult with each other before making any public disclosure or announcement of or pertaining to this Agreement from the date of this Agreement until the Effective Time, and that any such disclosure or announcement shall be mutually satisfactory to all parties; provided, however, this Section shall not apply in the event any party hereto is advised by its counsel that certain disclosures or announcements, which the other parties after reasonable notice will not consent to, are required to be made by applicable laws, stock exchange rules or policies of regulatory authorities having jurisdiction.

8.9 Expenses

Whether or not the Amalgamation is completed, Desco and Manitok shall each pay for their respective costs and expenses incurred in connection with the matters contemplated herein.

8.10 Time of Essence

Time is of the essence of this Agreement.

8.11 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein, and the parties hereto irrevocably attorn to the jurisdiction of the courts of the Province of Alberta.

8.12 Severability

In the event that any provisions contained in this Agreement shall be declared invalid, illegal or unenforceable by a court or other lawful authority of competent jurisdiction, this Agreement shall continue in force with respect to the enforceable provisions and all rights and remedies accrued under the enforceable provisions shall survive any such declaration, and any non-enforceable provision shall to the extent permitted by law be replaced by a provision which, being valid, comes closest to the intention underlying the invalid, illegal and unenforceable provision.

8.13 Confidentiality

Each of Manitok and Desco will provide such information as to its financial condition, business, properties, title, assets and affairs (including any material contracts) as may reasonably be requested by the other party. Such information which:

(a) has not become generally available to the public; or

(b) was not available to a party or its representatives on a non-confidential basis before the date of this letter; or

(c) does not become available to a party or its representatives on a non-confidential basis from a person who is not, to the knowledge of the party or its representatives, otherwise bound by confidentiality obligations to the provider of such information or otherwise prohibited from transmitting the information to the party or its representatives;

will be kept confidential by each party and shall constitute confidential information (the "**Confidential Information**"). No Confidential Information may be released to third parties without the consent of the provider thereof, except that the parties hereto agree that they will not unreasonably withhold such consent to the extent that such Confidential Information is compelled to be released by legal process or must be released to regulatory bodies and/or included in public documents.

8.14 Further Assurances

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

8.15 Counterparts

This Agreement may be executed in separate counterparts, and all such counterparts when taken together shall constitute one agreement. The parties shall be entitled to rely on delivery of a facsimile copy or electronic PDF form of the executed Agreement and such facsimile copy or electronic PDF form shall be legally effective to create a valid and binding Agreement.

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

DESCO RESOURCES INC.

Per: *"Signed"*
Name: **Robert J. Dales**
Title: President and Chief Executive Officer

MANITOK EXPLORATION INC.

Per: *"Signed"*
Name: **Massimo M. Geremia**
Title: President and Chief Executive Officer

SCHEDULE A
ARTICLES OF AMALGAMATION

Articles Of Amalgamation
Business Corporations Act
Section 185

1. **Name of Amalgamated Corporation**

MANITOK ENERGY INC.

2. **The classes of shares, and any maximum number of shares that the corporation is authorized to issue:**

   See Schedule "A" attached hereto and forming a part hereof.

3. **Restrictions on share transfers (if any):**

   None

4. **Number, or minimum and maximum number of directors:**

   Minimum 3 - Maximum 15

5. **If the corporation is restricted FROM carrying on a certain business or restricted TO carrying on a certain business, specify the restriction(s):**

   None.

6. **Other provisions (if any):**

   See Schedule "B" attached hereto and forming a part hereof.

7. **Name of Amalgamating Corporations** | **Corporate Access Number**

Name of Amalgamating Corporations	Corporate Access Number
Manitok Exploration Inc.	2011656044
Desco Resources Inc.	2014787499

Name of Person Authorizing (please print)	Signature
Title (please print)	Date

This information is being collected for the purposes of corporate registry records in accordance with the Business Corporations Act. Questions about the collection and use of information can he directed to the Freedom of Information and Protection of Privacy Coordinator for Alberta Registries, Box 3140, Edmonton, Alberta T5J 4L4, (780) 427-7013.

SCHEDULE "A" TO ARTICLES OF AMALGAMATION

THE CLASSES OF SHARES AND ANY MAXIMUM NUMBER OF SHARES THAT THE CORPORATION IS AUTHORIZED TO ISSUE ARE:

1. An unlimited number of Common shares, the holders of which are entitled:

   (a) to receive notice of and to attend and vote at all meetings of shareholders, except meetings at which only holders of a specified class of shares are entitled to vote;

   (b) to receive any dividend declared by the Corporation on this class of shares; provided that the Corporation shall be entitled to declare dividends on the Preferred shares, or on any of such classes of shares without being obliged to declare any dividends on the Common voting shares of the Corporation;

   (c) subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Corporation, to receive the remaining property of the Corporation upon dissolution in equal rank with the holders of all other Common shares of the Corporation; and

   (d) to the rights, privileges and restrictions normally attached to common shares.

2. An unlimited number of Preferred shares, which as a class, have attached thereto the following rights, privileges, restrictions and conditions:

   (a) the Preferred shares may from time to time be issued in one or more series, and the Directors may fix from time to time before such issue the number of Preferred shares which is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series of Preferred shares including, without limiting the generality of the foregoing, any voting rights, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion if any, and any sinking fund or other provisions;

   (b) the Preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other return of capital or distribution of the assets of the Corporation amongst its shareholders for the purpose of winding up its affairs, be entitled to preference over the voting and non voting Common shares and over any other shares of the Corporation ranking by their terms junior to the Preferred shares of that series. The Preferred shares of any series may also be given such other preferences, not inconsistent with these Articles, over the Common shares and any other such Preferred shares as may be fixed in accordance with clause (2)(a); and

   (c) if any cumulative dividends or amounts payable on the return of capital in respect of a series of Preferred shares are not paid in full, all series of Preferred shares shall participate rateably in respect of accumulated dividends and return of capital.

SCHEDULE "B" TO ARTICLES OF AMALGAMATION

OTHER RULES OR PROVISIONS:

1. The directors may between annual meetings, appoint one or more additional directors of the Corporation to serve until the next annual meeting, but the number of additional directors shall not at any time exceed one third (1/3) of the number of directors who held office at the expiration of the last annual meeting of the Corporation.