ESCROW AGREEMENT

THIS ESCROW AGREEMENT ("**Agreement**") is made and entered into as of the 31st day of December, 2009 by and among RedWater Energy Corp. (the "**Issuer**"), Union Securities Ltd. (the "**Agent**") and Macleod Dixon LLP, as escrow agent (the "**Escrow Agent**").

WHEREAS the Issuer and the Agent, are parties to an Agency Agreement dated December 31, 2009 (the "**Agency Agreement**"), pursuant to which, *inter alia*:

(a) the Agent has agreed to assist the Issuer in the sale of certain securities of the Issuer; and

(b) the parties have agreed to deposit one half of the net proceeds of such sale in trust with the Escrow Agent and to cause the Escrow Agent to enter into this Escrow Agreement (the "**Agreement**");

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Definitions**. All words and phrases that are defined in the Agency Agreement and that are used but not otherwise defined in this Agreement shall have the same meanings herein as in the Agency Agreement.

2. **Deposit of Funds**. The Agent hereby deposits with the Escrow Agent the sum of $319,175.08.

3. **Acknowledgement and Agreement of the Escrow Agent**. The Escrow Agent hereby:

(a) acknowledges receipt of the aforesaid $319,175.08 and of a copy of the Agency Agreement;

(b) agrees to deposit or otherwise invest the aforesaid $319,175.08 in an interest-bearing trust account, term deposit, guaranteed investment certificate or similar short-term security at, of or guaranteed by such Schedule "A" Canadian chartered bank as may be determined from time to time by the Escrow Agent and at such interest rate or rates as are from time to time available (the said sum of $319,175.08 together with all interest or other returns gained thereon being hereafter referred to as the "**Escrow Funds**"); and

(c) agrees to hold and deal with the Escrow Funds in accordance with the provisions of this Agreement.

4. **Release of Escrow Funds**. The Escrow Agent shall and is hereby authorized and directed to pay and release the Escrow Funds as follows:

(a) to the Issuer upon receipt of evidence of the issuance of a receipt by the Principal Regulator, as defined under M.I. 11-102 Passport System on behalf of the securities commission in the provinces in which the Issuer has sold securities pursuant to the Agency Agreement in respect to the filing of a preliminary prospectus by the Issuer;

(b) if the release pursuant to 4(a) has not occurred by October 1, 2010, to the Agent in the amount of $319,175.08, being less than the subscription amount of the Special Warrants sold pursuant to the Agency Agreement;

(c) in the event that the Escrow Funds are not released as contemplated by subsection 4(a) or (b) above, the Escrow Agent shall release the Escrow Funds upon receipt by it, and in accordance with the provisions, of:

(i) a written direction from both (A) the Issuer or the Issuer's lawyer, and (B) the Agent or the Agent's lawyer; or

(ii) an order from a court of competent jurisdiction.

Where the Escrow Agent is notified by a party or its lawyers that such party objects to the release of Escrow Funds as contemplated by subsection 4(b) or (c) the Escrow Agent shall advise the other party and/or its lawyers of such objection.

5. **Fees**. The Escrow Agent shall not be entitled to any fees in connection with the performance of its services as escrow agent hereunder.

6. **Legal Counsel**. If the Escrow Agent is joined into any litigation involving the Escrow Funds or this Agreement, the Escrow Agent shall have the right to retain counsel and shall have a lien on the Escrow Funds for any and all costs, attorneys' and solicitors' fees, charges, disbursements, and expenses in connection with such litigation; and shall be entitled to reimburse itself therefor out of the Escrow Funds, and if it shall be unable to reimburse itself from the Escrow Funds, each of the Issuer and Agent shall, and hereby severally agree to, pay to Escrow Agent on demand, one-half of its reasonable charges, counsel and attorneys' fees, disbursements and expenses in connection with such litigation.

7. **Resignation**. Escrow Agent reserves the right to resign at any time by giving not less than thirty (30) days written notice of resignation to each of the other parties hereto, specifying the effective date of such resignation. Within thirty (30) days after receiving such notice, the Agent and Issuer shall agree to appoint a successor escrow agent to which Escrow Agent will deliver the Escrow Funds. If a successor escrow agent has not been appointed and has not accepted such appointment by the end of the thirty (30) day period, Escrow Agent may apply to a court of competent jurisdiction for the appointment of a successor escrow agent, and the costs, expenses and reasonable attorneys' fees which are incurred in connection with such a proceeding shall be paid by the Agent and Issuer in accordance with Section 6 hereof. Escrow Agent shall continue to serve as Escrow Agent hereunder until its successor accepts the escrow or until a court directs otherwise.

8. **Liability**. Escrow Agent undertakes to perform only such duties as are specifically set forth herein. Escrow Agent, whether acting or refraining from acting in good faith, shall not be liable for any mistake of fact or error in judgment by it or for any acts or omissions by it of any

kind unless caused by wilful misconduct or gross negligence, and shall be entitled to rely conclusively upon (i) any written notice, instrument or signature believed by it to be genuine and to have been signed or presented by the proper party or parties duly authorized to do so, and (ii) the advice of counsel retained by it. The Agent and Issuer shall indemnify Escrow Agent for any damages it incurs for its acting or refraining from acting in good faith hereunder, which damages were not caused by wilful misconduct or gross negligence. The Escrow Agent may rely exclusively on the directions of the other parties as set forth in this Agreement to satisfy its role as Escrow Agent.

9. **Disputes**. If any dispute arises between the parties hereto or with any third person with respect to the subject matter of this Agreement (a "**Dispute**"), Escrow Agent shall not be required to determine the same or take any action with respect thereto, but may await the final resolution of the Dispute, anything in the instructions delivered by the parties hereto to the contrary notwithstanding, and in such event it shall not be liable for interest or damage. In the event of any Dispute, the Escrow Agent is authorized and directed to retain in its possession without liability to anyone all or any part of the Escrow Funds until the Dispute shall have been settled either by mutual written agreement of the parties concerned or by a final order, decree, or judgment of a court of competent jurisdiction after the time for appeal has expired and no appeal has been perfected, but the Escrow Agent shall be under no duty whatsoever to institute or defend any such proceedings.

10. **Discharge of Escrow Agent**. Escrow Agent agrees that the Agent and Issuer may, by mutual agreement at any time, remove Escrow Agent as escrow agent hereunder, and appoint such bank, trust company, law firm or other person as may be mutually agreed to by the Agent and Issuer in substitution for the Escrow Agent, in which event, upon receipt of written notice thereof and reimbursement of Escrow Agent's fees and disbursements in accordance with Section 6 hereof, Escrow Agent shall deliver to such substituted escrow agent the Escrow Funds, and Escrow Agent shall thereafter be discharged from all liability hereunder.

11. **Court Orders**. If the Escrow Funds shall be attached, garnished, or levied upon pursuant to any court order, or the delivery of the Escrow Funds shall be stayed or enjoined by any court order, or any court order shall be made or entered into affecting the Escrow Funds, or any part thereof, the Escrow Agent is hereby expressly authorized, in its sole direction, to obey and comply with any court order so entered or issued, which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction, and in case Escrow Agent obeys or complies with any such court order, it shall not be liable to any of the other parties hereto or to any other person, firm or corporation, by reason of such compliance notwithstanding that such court order may be subsequently reversed, modified, annulled, set aside or vacated. The Escrow Agent is hereby expressly authorized to disregard any and all warnings given by any of the other parties hereto or by any other person, excepting only orders or process of courts of law, and is hereby expressly authorized to make application for and to comply with and obey orders, judgements or decrees of any court for which the Escrow Agent shall be reimbursed equally by each of the other parties hereto. In case the Escrow Agent makes application for, obeys or complies with any such order, judgment or decree of any court, the Escrow Agent shall not be liable to any of the other parties hereto or to any other person by reason of such compliance, notwithstanding that any such order, judgement or decree may be subsequently reversed, modified, annulled, set aside, vacated or found to have been entered without jurisdiction.

12. **Acknowledgment**. Each of the Agent and Issuer acknowledges and agrees that the Escrow Agent has and may in future provide legal counsel to the Agent in respect of this Agreement and other matters, and further covenants and agrees that it shall take no action on the basis of this Agreement or any other basis, to restrict or prohibit the Escrow Agent from providing legal counsel to the Agent if and when requested by the Agent.

13. **Further Assurances**. Each party agrees to cooperate fully with the other parties and to take all further actions and to execute such further instruments, documents and agreements and to give such further written assurances as may be reasonably requested by any other party to evidence and reflect the transactions described herein and contemplated hereby and to carry into effect the intents and purposes of this Agreement.

14. **Miscellaneous**

(a) **Notices**. All notices required or permitted to be given hereunder shall be in writing and shall be given in person or by courier or registered mail or transmitted by telecopier or other means of electronic communication, addressed as follows:

If to the Issuer, addressed to:

Redwater Energy Corp.
17 Oak Ave.
Okotoks, Alberta T1S 1K6
Fax: (403) 995.0309

with a copy to:

Smith Mack Lamarsh
450, 808 - 4th Ave SW
Calgary, Alberta T2P 3E8
Attention: Michael Hayduk, LLM. Q.C.

Fax: (403) 263-7897

If to the Purchaser, addressed to:

Union Securities Ltd.
115, 240 - 4th Ave SW
Calgary, AB T2P 4H4

Attention: J. David D. McKeown

Fax: (403) 237-5546

If to Escrow Agent, addressed to:

Macleod Dixon LLP
3700 Canterra Tower

400 Third Avenue S.W.
Calgary, Alberta
T2P 4H2
Attention: Rick Skeith

Fax.: (403) 254-5973

and/or at such other addresses and/or addressees as may he designated by notice given in accordance with the provisions of this Section 14(a). Any such notice or other communication shall be deemed to have been given and received only on the date of actual receipt by the party to whom it is delivered.

(b) Termination of Agreement. This Agreement shall continue in force until the final distribution of the Escrow Funds by Escrow Agent in accordance with the terms of this Agreement or until terminated by written notice signed by each of the parties hereto.

(c) Expenses. Except as otherwise provided herein, each of the parties hereto shall be responsible for their own costs and expenses with respect to matters involving this Agreement.

(d) Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All pronouns shall he deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the persons, firm or corporation may require in the context thereof.

(e) Severability. If any provision of this Agreement, or any covenant, obligation or agreement contained herein is determined by a court to be invalid or unenforceable, such determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if such invalid or unenforceable portion were not contained herein. Such invalidity or unenforceability shall not affect any valid and enforceable application thereof, and each such provision, covenant, obligation or agreement, shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

(f) Construction. This Agreement shall be construed, and the rights and duties of the parties hereto determined, in accordance with the laws of Alberta.

(g) Multiple Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute but one and the same instrument.

(h) Currency. All references in this Agreement to "dollars" or "$" means Canadian dollars.

(i) **Amendments and Waivers**. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided that neither the Issuer not the Agent shall assign any of its rights or obligations hereunder except with the prior consent of the other and, except as otherwise permitted by an express provision of this Agreement, the Escrow Agent shall not assign any of its rights or obligations hereunder except with the prior consent of both the Issuer and the Agent. No amendment, supplement, modification or waiver of this Agreement shall be binding unless executed in writing by all the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the date first above written.

REDWATER ENERGY CORP.

Per: ______________________

UNION SECURITIES LTD.

Per: J. David D. McKerna

MACLEOD DIXON LLP

Per: ______________________
D.R. Skeith, a Partner