

AGENCY AGREEMENT

Dated effective March 24, 2011

Manitok Energy Inc.
Suite 2500, 639 - 5th Avenue SW
Calgary, Alberta T2P 0M9

Attention: Mr. Massimo Geremia

Dear Sir:

RE: **Offering of Common Shares**

Integral Wealth Securities Limited (the "**Agent**") understands that Manitok Energy Inc. (the "**Corporation**") proposes to issue and sell a minimum of 12,500,000 Common Shares and a maximum of 15,625,000 Common Shares (the "**Firm Shares**"), at a price of \$1.60 per Share (the "**Offer Price**"). Capitalized terms not otherwise defined herein are defined in section 1 hereof.

Subject to the terms and conditions hereof, the Agent hereby agrees to act, and the Corporation hereby appoints the Agent, as its exclusive agent to offer the Firm Shares for sale, on a "best efforts" basis and in accordance with the terms hereof, to purchasers in the Qualifying Jurisdictions (as defined herein), at a price of \$1.60 per share, for minimum aggregate consideration of \$20,000,000 (the "**Minimum Offering**") and maximum aggregate consideration of \$25,000,000 (the "**Maximum Offering**").

We also understand that the Corporation intends to issue and sell, at the option of the Agent (the "**Over-Allotment Option**"), up to an aggregate of 2,343,750 additional Common Shares, being 15% of the aggregate Firm Shares sold under the Offering (the "**Over-Allotment Shares**") at the Offer Price per Over-Allotment Share. The Over-Allotment Option may be exercised in the Agent's sole discretion and without obligation and is exercisable, in whole or in part at any time and from time to time, prior to 5:00 p.m. (Calgary time) on or before the date that is 30 days following the Closing Date, by written notice delivered to the Corporation by the Agent. The Firm Shares and the Over-Allotment Shares are collectively referred to as the "**Offered Shares**" and the offering of the Offered Shares by the Corporation is hereinafter referred to as the "**Offering**".

We also understand that the Corporation has filed with the Alberta Securities Commission (the "**Reviewing Authority**") and the other Securities Commissions (as defined herein) in accordance with National Instrument 44-101 – *Short Form Prospectus Distributions* ("**NI 44-101**") a preliminary short form prospectus dated March 24, 2011 with respect to the Offered Shares (collectively, including all documents incorporated therein by reference, the "**Preliminary Prospectus**") and other related documents relating to the proposed distribution of the Offered Shares.

The Agent shall be entitled in connection with the sale of the Offered Shares to retain as sub-agents other registered securities dealers and may receive subscriptions for Offered Shares from other securities dealers. The fee payable to such sub-agents shall be for the account of the Agent.

The Agent and the Corporation acknowledge that, notwithstanding the foregoing, the Agent, acting through its United States registered broker-dealer affiliates, may offer the Offered Shares in the United States only in transactions in accordance with Schedule "A" to this Agreement, which forms part of this Agreement. The Agent anticipates the distribution of Offered Shares in the United States will be completed on a private placement basis to "accredited investors" ("**Accredited Investors**") within the

meaning of Rule 501(a) of Regulation D ("**Regulation D**") under the United States Securities Act of 1933, as amended, (the "**U.S. Securities Act**") in reliance on the exemption from registration available under Section 4(2) of the U.S. Securities Act and Rule 506 of Regulation D thereunder. The Agent shall arrange for the Accredited Investors to purchase the Offered Shares directly from the Corporation.

The following are the terms and conditions of this Agreement:

1. Definitions and Interpretation

In this Agreement, in addition to the terms defined above or elsewhere in this Agreement, the following terms shall have the following meanings:

- (a) "**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;
- (b) "**Accredited Investors**" means an Accredited Investor within the meaning of Rule 501(a) of Regulations D;
- (c) "**Additional Closing Date**" and "**Additional Closing Time**" have the meanings ascribed thereto in subsection 9(b) hereof;
- (d) "**Agent's counsel**" means Shea Nerland Calnan LLP, or such other legal counsel as the Agent, with the consent of the Corporation, may appoint;
- (e) "**Agreement**" means this agency agreement dated effective March 24, 2011, among the Corporation and the Agent;
- (f) "**Applicable Securities Laws**" includes, collectively, all applicable securities, corporate and other laws, rules, regulations, notices, instruments and policies in force in the Qualifying Jurisdictions;
- (g) "**business day**" means a day which is not Saturday, Sunday or a legal holiday in the City of Calgary;
- (h) "**Closing**" means the completion of the transactions contemplated by this Agreement on the Closing Date;
- (i) "**Closing Date**" means April 15, 2011, or such other date not later than 90 days from the date of the Final Passport System Decision Document as the Corporation and the Agent may mutually agree upon in writing;
- (j) "**Closing Time**" means 6:30 a.m. (Calgary time), or such other time, on the Closing Date, as the Agent and the Corporation may agree upon;
- (k) "**Common Shares**" means the common shares in the capital of the Corporation, and "**Common Share**" means any one of them;
- (l) "**Corporation's auditors**" means Kenway Mack Slusarchuk Stewart LLP, Chartered Accountants, Calgary, Alberta;
- (m) "**Corporation's counsel**" means Gowling Lafleur Henderson LLP, or such other legal

counsel as the Corporation, with the consent of the Agent, may appoint;

- (n) **"Documents"** means, collectively, the documents incorporated by reference in the Prospectuses and any Supplementary Material including, without limitation:
- (i) the Financial Statements;
 - (ii) the joint management information circular and proxy statement dated May 28, 2010 relating to the special meeting of shareholders of Desco Resources Inc. and the annual and special meeting of shareholders of Manito Exploration Inc., both held on June 25, 2010 in respect of, among other things, the approval of the amalgamation of Desco Resources Inc. and Manito Exploration Inc. and the change of name of Desco Resources Inc. to "Manito Energy Inc.";
 - (iii) management's discussion and analysis of the financial condition and results of operations of Manito Exploration Inc. for the period ended June 30, 2010;
 - (iv) management's discussion and analysis of the financial condition and results of operations of Desco Resources Inc. for the period ended December 31, 2009;
 - (v) management's discussion and analysis of the financial condition and results of operations of the Corporation for the three and nine months ended September 30, 2010;
 - (vi) the material change report of the Corporation dated December 30, 2010 relating to a closing of a private placement of Common Shares and Common Shares issued on a "flow-through" basis under the *Income Tax Act* (Canada);
 - (vii) the material change report of the Corporation dated July 16, 2010 relating to the completion of the amalgamation of Desco Resources Inc. and Manito Exploration Inc.;
 - (viii) the material change report of Desco dated March 8, 2010 relating to the entering into of an amalgamation agreement dated as of March 1, 2010 with Manito Exploration Inc. in connection with the amalgamation of Desco Resources Inc. and Manito Exploration Inc.; and
 - (ix) the material change report of Desco Resources Inc. dated February 23, 2010 relating to the entering into of a letter of intent dated January 6, 2010 with Manito Exploration Inc. in connection with the amalgamation of Desco Resources Inc. and Manito Exploration Inc.;
- (o) **"Due Diligence Session"** shall have the meaning set forth in subsection 3(d) hereof;
- (p) **"Exchange"** means the TSX Venture Exchange;
- (q) **"Final Passport System Decision Document"** means a receipt for the Prospectus issued in accordance with the Passport System;
- (r) **"Financial Statements"** means the audited financial statements of Manito Exploration Inc. as at and for the year ended June 30, 2010, together with the notes thereto, the

audited financial statements of Desco Resources Inc. as at and for the period ended December 31, 2009, together with the notes thereto, and the unaudited interim financial statements of Manitok Energy Inc. as at and for the three and nine months ended September 30, 2010, together with the notes thereto;

- (s) "**GAAP**" means generally accepted accounting principles so described and promulgated by the Canadian Institute of Chartered Accountants in effect in Canada at the relevant time;
- (t) "**NI 44-101**" means National Instrument 44-101 of the Canadian Securities Administrators, entitled "Short Form Prospectus Distributions";
- (u) "**NP 11-202**" means National Policy 11-202 of the Canadian Securities Administrators, entitled "Process for Prospectus Reviews in Multiple Jurisdictions";
- (v) "**Offered Shares**" means, collectively, the Shares and the Over-Allotment Shares;
- (w) "**Passport System**" means the system and procedures for prospectus filing and review under Multilateral Instrument 11-102, entitled "Passport System" and NP 11-202;
- (x) "**Passport System Decision Documents**" means, collectively, the Preliminary Passport System Decision Document and the Final Passport System Decision Document, and "**Passport System Decision Document**" means any one of them;
- (y) "**Preliminary Passport System Decision Document**" means a receipt for the Preliminary Prospectus issued in accordance with the Passport System;
- (z) "**Preliminary Prospectus**" has the meaning given to that term in the fourth paragraph of this Agreement;
- (aa) "**Preliminary U.S. Placement Memorandum**" means the preliminary U.S. Placement Memorandum, including the Preliminary Prospectus, in the form agreed to by the Corporation and the Agent, as supplemented or amended;
- (bb) "**Prospectus**" means the (final) short form prospectus of the Corporation, and any amendments thereto, in respect of the distribution of the Offered Shares, including the documents incorporated by reference therein;
- (cc) "**Prospectuses**" means, collectively, the Preliminary Prospectus and the Prospectus;
- (dd) "**Public Record**" means all information filed in the two year period prior to the date of this Agreement by or on behalf of the Corporation with the Securities Commissions or the Exchange in compliance, or intended compliance, with any Applicable Securities Laws in Canada and accessible to the members of the public on the SEDAR website at www.sedar.com;
- (ee) "**Qualifying Jurisdictions**" means, collectively, the provinces of British Columbia, Alberta, Manitoba and Ontario and "**Qualifying Jurisdiction**" means any one of them;
- (ff) "**Regulation D**" means Regulation D adopted by the SEC under the U S Securities Act;

- (gg) "**Regulation S**" means Regulation S adopted by the SEC under the U S Securities Act;
- (hh) "**Reserves Report**" means the report prepared by Sproule for the Corporation dated September 10, 2010, with an effective date of June 30, 2010 relating to the crude oil and natural gas reserves of the Corporation as at such date;
- (ii) "**Responses**" means the written responses delivered on behalf of the Corporation by the officers of the Corporation at the Due Diligence Session;
- (jj) "**SEC**" means the United States Securities and Exchange Commission;
- (kk) "**SEC Rules and Regulations**" means the published rules and regulations of the SEC;
- (ll) "**Securities Commissions**" means the securities commissions or similar regulatory authorities in the Qualifying Jurisdictions and "**Securities Commission**" means any one of them;
- (mm) "**Selling Dealer Group**" means the dealers and brokers other than the Agent and its U.S. Affiliates who participate in the offer and sale of the Offered Shares pursuant to this Agreement;
- (nn) "**Sproule**" means Sproule Associates Limited;
- (oo) "**Subsidiary**" means a subsidiary of the Corporation within the meaning of the ABCA;
- (pp) "**Supplementary Material**" means, collectively, any amendment to the Preliminary Prospectus or Prospectus, any amended or supplemental Preliminary Prospectus or Prospectus or any ancillary material information, evidence, return, report, application, statement or document which may be filed by or on behalf of the Corporation under Applicable Securities Laws relating to the qualification for distribution of the Offered Shares;
- (qq) "**Swaps**" means any transaction which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, forward sale, exchange traded futures contract or any other similar transaction (including any option with respect to any of these transactions or any combination of these transactions);
- (rr) "**Transfer Agent**" means Valiant Trust Company;
- (ss) "**United States**" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia;
- (tt) "**U.S. Affiliate**" means a United States registered broker-dealer affiliate of the Agent;
- (uu) "**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as amended;
- (vv) "**U.S. Placement Memorandum**" means the final U.S. placement memorandum for the

offering of the Offered Shares in the United States, including the Prospectus, in the form agreed to by the Corporation and the Agent, as supplemented or amended;

- (ww) **"U.S. Securities Act"** means the United States Securities Act of 1933, as amended; and
- (xx) **"U.S. Securities Laws"** means all applicable securities legislation in the United States, including without limitation, the SEC Rules and Regulations, the U.S. Securities Act, the U.S. Exchange Act, and any applicable state securities laws.

In this Agreement, **"misrepresentation"**, **"material change"** and **"material fact"** shall have the meanings ascribed thereto under Applicable Securities Laws, **"distribution"** means "distribution" or "distribution to the public", as the case may be, as defined under the Applicable Securities Laws and **"distribute"** has a corresponding meaning.

In this Agreement, **"to its knowledge"**, **"to the best of their knowledge"**, **"to the best knowledge of the Corporation"** or **"to the best of the Corporation's knowledge"** means, unless otherwise expressly stated, a statement as to the knowledge of each of the Chief Executive Officer and Chief Financial Officer of the Corporation about the facts or circumstances to which such phrase related, after having made due and applicable inquiries and investigations in connection with such facts and circumstances that would ordinarily be made in the discharge of each such officer's duties.

In this Agreement, unless there is something in the subject matter or context inconsistent therewith:

- (a) words used herein importing the singular number include the plural and vice versa, words importing the use of any gender include all genders, and words importing persons include individuals, partnerships, associations, trusts, unincorporated organizations and corporations, and the rest of the sentence is construed as if the necessary grammatical and terminological changes had been made; and
- (b) references herein to any agreement or instrument, including this Agreement, are deemed to be references to the agreement or instrument as varied, amended, modified, supplemented or replaced from time to time, and any specific references herein to any legislation or enactment are deemed to be references to such legislation or enactment as the same may be amended or replaced from time to time.

The division of this Agreement into articles, sections, paragraphs, subparagraphs and clauses and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "this agreement", "hereof", "herein", "hereunder" and similar expressions refer to this Agreement and the schedules hereto and not to any particular article, section, paragraph, subparagraph, clause or other portion hereof and include any agreement or instrument supplementary or ancillary hereto.

2. Agent's Commission

In consideration for its services hereunder, the Corporation agrees to pay to the Agent, at the Closing Time, a fee equal to 6.0% of the gross proceeds of the Offering (the **"Agent's Commission"**), or \$0.096 per Offered Share for each Offered Share sold (being an aggregate amount of \$1,200,000 in the case of the Minimum Offering, \$1,500,000 in the case of the Maximum Offering and \$1,725,000 in the case of the Maximum Offering and the Over-Allotment Option being exercised in full).

The Agent's Commission may, at the sole option of Agent, be deducted from the aggregate gross proceeds of the Offering and withheld for the account of the Agent. For greater certainty, the services provided by the Agent in connection herewith will not be subject to the Goods and Services Tax ("GST") provided for in the *Excise Tax Act* (Canada) and taxable supplies provided will be incidental to the exempt financial services provided. However, in the event that the Canada Revenue Agency determines that GST provided for in the *Excise Tax Act* (Canada) is exigible on the Agent's Commission, the Corporation agrees to pay the amount of GST forthwith upon the request of the Agent. The Corporation also agrees to pay the Agent's expenses as set forth in section 10 hereof.

3. Qualification for Sale

- (a) The Corporation represents and warrants to the Agent that it is eligible to use the short form prospectus offering qualification system described in NI 44-101 for the distribution of the Offered Shares.
- (b) The Corporation shall elect and comply in all material respects with the Passport System and shall:
 - (i) forthwith after any comments with respect to the Preliminary Prospectus have been received from the Securities Commissions, have used all commercially reasonable efforts to have:
 - A. prepared and filed the Prospectus and other documents required under the Applicable Securities Laws with the Securities Commissions by not later than 5:00 p.m. (Calgary time) on March 31, 2011 (or such later date as may be agreed to in writing by the Corporation and the Agent); and
 - B. obtained from the Reviewing Authority a Final Passport System Decision Document dated on or before April 1, 2011 (or such later date as may be agreed to in writing by the Corporation and the Agent), evidencing that a receipt for the Prospectus has been issued in Ontario and has been deemed to have been issued in each of the Qualifying Jurisdictions other than Ontario or otherwise obtained a receipt for the Prospectus from each of the Securities Commissions;

and otherwise fulfilled all legal requirements to enable the Offered Shares to be offered and sold to the public in each of the Qualifying Jurisdictions through the Agent or any other investment dealer or broker registered in the appropriate category in the applicable Qualifying Jurisdiction; and

- (ii) until the completion of the distribution of the Offered Shares, promptly take all additional steps and proceedings that from time to time may be required under the Applicable Securities Laws in each Qualifying Jurisdiction to continue to qualify the Offered Shares for distribution or, in the event that the Offered Shares have, for any reason, ceased to so qualify, to again qualify the Offered Shares for distribution in each Qualifying Jurisdiction and, to the extent within the control of the Corporation, to qualify the Offered Shares for sale in transactions exempt from registration under the U.S. Securities Act pursuant to Rule 506 of Regulation D and in reliance upon similar exemptions from registration under applicable state securities laws.

- (c) Prior to the filing of the Prospectuses and, during the period of distribution of the Offered Shares, prior to the filing with any Securities Commissions of any Supplementary Material or any documents incorporated by reference therein after the date hereof, the Corporation shall have allowed the Agent and the Agent's counsel to participate fully in the preparation of, and, acting reasonably, to approve the form of, such documents (including, without limitation, the Preliminary U.S. Placement Memorandum and the U.S. Placement Memorandum) and to have reviewed any documents incorporated by reference therein.
- (d) During the period from the date hereof until completion of the distribution of the Offered Shares, the Corporation shall allow the Agent to conduct all due diligence which it may reasonably require in order to fulfill its obligations as agent and in order to enable the Agent responsibly to execute the certificates required to be executed by it in the Prospectuses or in any Supplementary Material. Without limiting the generality of the foregoing, the Corporation shall make available its directors and senior management, and shall use all commercially reasonable efforts to cause its auditors, independent reserves engineers and legal counsel to be available, to answer any questions which the Agent may have and to participate in one or more due diligence sessions to be held prior to the Closing Time (collectively, the "**Due Diligence Session**"). The Agent shall distribute a list of written questions to be answered in advance of the Due Diligence Session and the Corporation shall provide written responses to such questions in advance of the Due Diligence Session and shall use all commercially reasonable efforts to have the above-mentioned auditors, independent reserves engineers, legal counsel and any other experts provide written responses to such questions in advance of the Due Diligence Session.
- (e) The Corporation shall take or cause to be taken all such other steps and proceedings, including fulfilling all legal, regulatory and other requirements, as required under Applicable Securities Laws to qualify the Offered Shares for distribution to the public in the Qualifying Jurisdictions, to qualify the distribution to the Agent of the Over-Allotment Option, and to take such action within its control that is necessary to permit the Offered Shares to be offered and sold in the United States to Accredited Investors in transactions exempt from registration under the U.S. Securities Act in reliance on Rule 506 of Regulation D and in reliance upon similar exemptions from registration under applicable state securities laws (provided that all such offers and sales are made in compliance with Schedule "A" hereto) and for sale internationally on a "private placement" basis in such jurisdictions as the Corporation may agree as permitted by applicable laws.

4. Delivery of Prospectus and Related Documents

The Corporation shall deliver or cause to be delivered without charge to the Agent and the Agent's counsel the documents set out below at the respective times indicated:

- (a) prior to or contemporaneously, as nearly as practicable, with the filing with the Securities Commissions of the Prospectus:
 - (i) copies of the Prospectus signed as required by Applicable Securities Laws;
 - (ii) copies of the U.S. Placement Memorandum, if required by the Agent; and

- (iii) copies of any documents incorporated by reference therein which have not previously been delivered to the Agent or are not otherwise available on SEDAR;
- (b) as soon as they are available, copies of any Supplementary Material signed as required by Applicable Securities Laws and including, in each case, copies of any documents incorporated by reference therein which have not been previously delivered to the Agent;
- (c) concurrently with the filing of the Prospectus, evidence satisfactory to the Agent of the conditional approval of the listing and posting for trading on the Exchange of the Offered Shares; and
- (d) prior to the filing of the Prospectus with the Securities Commissions, a "comfort letter" from the Corporation's auditors and any other auditors who have audited any of the financial statements included in or incorporated by reference in the Prospectus, dated the date of the Prospectus, addressed to the Agent and satisfactory in form and substance to the Agent and the Agent's counsel, acting reasonably, to the effect that they have carried out certain procedures performed for the purposes of comparing certain specified financial information and percentages appearing in the Prospectus and the documents incorporated by reference therein with indicated amounts in the financial statements or accounting records of the Corporation or other applicable entity or business and have found such information and percentages to be in agreement, which comfort letter shall be based on the applicable auditors' review having a cut-off date of not more than two business days prior to the date of the Prospectus.

Comfort letters similar to that described in paragraph (d) above shall be provided to the Agent with respect to any Supplementary Material and any other relevant document at the time the same is presented to the Agent for its signature or, if the Agent's signature is not required, at the time the same is filed. All such comfort letters shall be in form and substance acceptable to the Agent and the Agent's counsel, acting reasonably.

The deliveries referred to in subsections 4(a) and 4(b) shall also constitute the Corporation's consent to the use by the Agent and other members of the Selling Dealer Group of the Documents, the Prospectus, the U.S. Placement Memorandum and any Supplementary Material in connection with the offering and sale of the Offered Shares.

5. Commercial Copies

- (a) The Corporation shall, as soon as possible but in any event not later than noon (local time at the place of delivery) on the business day following the date of receipt of the applicable Passport System Decision Document (or such other date or time as the Agent and the Corporation may agree) from the Securities Commissions and no later than noon (local time) on the first business day after the execution of any Supplementary Material in connection with the Prospectuses, cause to be delivered to the Agent, without charge, commercial copies of the Preliminary Prospectus, the Prospectus or such Supplementary Material, in such numbers and in such cities as the Agent may reasonably request by oral or written instructions to the Corporation or the printer thereof given no later than the time when the Corporation authorizes the printing of the commercial copies of such documents.
- (b) The Corporation shall cause to be provided to the Agent such number of copies of any documents incorporated by reference in the Preliminary Prospectus, the Prospectus or any

Supplementary Materials, which are not otherwise available on SEDAR, as the Agent may reasonably request.

- (c) The Corporation will similarly cause to be delivered to the Agent, at those delivery points as the Agent may reasonably request, commercial copies of the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum and any Supplementary Material required to be delivered to purchasers or prospective purchasers of the Offered Shares. Each delivery of the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum and any such Supplementary Material will constitute consent by the Corporation to the use of the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum and any such Supplementary Material by the Agent, the U.S. Affiliates of the Agent and members of the Selling Dealer Group (if any) for the distribution of the Offered Shares for sale in the United States in accordance with this Agreement, including Schedule "A".

6. Material Change and Certain Other Covenants

- (a) During the period of distribution of the Offered Shares, the Corporation will promptly inform the Agent in writing of the full particulars of:
 - (i) any material change (actual, anticipated or threatened) in or affecting the business, operations, revenues, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation;
 - (ii) any change in any material fact contained or referred to in the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum or any Supplementary Material; and
 - (iii) the occurrence or discovery of a material fact or event which, in any such case, is, or may be, of such a nature as to:
 - A. render the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum or any Supplementary Material untrue, false or misleading in any material respect;
 - B. result in a misrepresentation in the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum or any Supplementary Material; or
 - C. result in the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum or any Supplementary Material not complying in any material respect with Applicable Securities Laws;

provided that if the Corporation is uncertain as to whether a material change, change, occurrence or event of the nature referred to in this section has occurred or been discovered, the Corporation shall promptly inform the Agent of the full particulars of the occurrence giving rise to the uncertainty and shall consult with the Agent as to whether the occurrence is of such nature prior to making any filing referred to in paragraph 6(c).

- (b) During the period of distribution of the Offered Shares, the Corporation will promptly inform the Agent in writing of the full particulars of:
- (i) any request of any Securities Commission, the SEC or similar regulatory authority for any amendment to, or to suspend or prevent the use of, the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum or any other part of the Public Record or for any additional information of a material nature;
 - (ii) the issuance by any Securities Commission, the SEC or similar regulatory authority, the Exchange or any other competent authority of any order to cease or suspend trading of any securities of the Corporation or of the institution or threat of institution of any proceedings for that purpose; and
 - (iii) the receipt by the Corporation of any communication from any Securities Commission, the SEC or similar regulatory authority, the Exchange or any other competent authority relating to the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum, any part of the Public Record or the distribution of the Offered Shares.
- (c) The Corporation will promptly comply to the reasonable satisfaction of the Agent and the Agent's counsel with Applicable Securities Laws and any applicable U.S. Securities Laws with respect to any material change, change, occurrence or event of the nature referred to in subsection 6(a) or 6(b) above and the Corporation will prepare and file promptly at the Agent's request, acting reasonably, any amendment to the Prospectus, the U.S. Placement Memorandum or Supplementary Material as may be required under Applicable Securities Laws or U.S. Securities Laws; provided that the Corporation shall have allowed the Agent and the Agent's counsel to participate fully in the preparation of any Supplementary Material, to have reviewed any other documents incorporated by reference therein and to conduct all due diligence investigations which the Agent may reasonably require in order to fulfill its obligations as agent and in order to enable the Agent responsibly to execute the certificate required to be executed by it in, or in connection with, any Supplementary Material, such approval not to be unreasonably withheld and to be provided in a timely manner. The Corporation shall further promptly deliver to the Agent and the Agent's counsel a copy of each Supplementary Material as filed with the Securities Commissions and of each comfort letter with respect to each such Supplementary Material substantially similar to that referred to in section 4 above.
- (d) During the period of distribution of the Offered Shares, the Corporation will promptly provide to the Agent, for review by the Agent and the Agent's counsel, prior to filing or issuance:
- (i) any financial statement of the Corporation;
 - (ii) any proposed document, including without limitation any annual information form, business acquisition report, material change report, interim report, or information circular, which may be incorporated, or deemed to be incorporated, by reference in the Prospectus;
 - (iii) any press release of the Corporation: and

- (iv) any amendment to the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum or the U.S. Placement Memorandum.

7. Representations and Warranties of the Corporation

- (a) Each delivery of the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum and any Supplementary Material pursuant to section 4 or section 5 above shall constitute a representation and warranty to the Agent by the Corporation (and the Corporation hereby acknowledges that the Agent is relying on such representations and warranties in entering into this Agreement) that:
 - (i) all of the information and statements (except information and statements furnished by and relating solely to the Agent) contained in the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum or any Supplementary Material, as applicable, including, without limitation, the documents incorporated therein by reference, as the case may be:
 - A. are, at the respective dates of such documents, true and correct in all material respects;
 - B. contain no misrepresentation; and
 - C. constitute full, true and plain disclosure of all material facts relating to the Corporation and the Offered Shares;
 - (ii) the Preliminary Prospectus, the Prospectus, or any Supplementary Material, as applicable, including, without limitation, the documents incorporated therein by reference, as the case may be, comply in all material respects with the Applicable Securities Laws, including without limitation NI 44-101, and the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum and, to the extent applicable, any related Supplementary Material, comply as to form in all material respects with the U.S. Securities Act; and
 - (iii) there has been no intervening material change (actual, proposed or prospective, whether financial or otherwise), from the date of the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum and any Supplementary Material to the time of delivery thereof, in the business, operations, revenues, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation.
- (b) In addition to the representations and warranties contained in subsection 7(a) hereof, the Corporation represents and warrants to the Agent, and acknowledges that the Agent is relying upon such representations and warranties in entering into this Agreement, that:
 - (i) the Corporation has been duly incorporated, amalgamated, organized or formed as the case may be, and is valid and subsisting under the laws of the jurisdiction of its incorporation, amalgamation, organization or formation, as the case may

be, and has all requisite corporate power, capacity and authority to carry on its business, as now conducted and as presently proposed to be conducted by it, and to own, lease and operate its properties and assets in each jurisdiction in which it carries on a material portion of its business;

- (ii) the Corporation has conducted and is conducting and will conduct its business in compliance in all material respects with all applicable laws, rules and regulations and, in particular, all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to it of each jurisdiction in which it carries on a material portion of its business;
- (iii) the Corporation holds all licences, permits, registrations and qualifications in all jurisdictions in which it carries on a material portion of its business which are necessary or desirable to carry on the business of the Corporation as now conducted and as presently proposed to be conducted, and all such licences, permits, registrations or qualifications are valid and existing and in good standing and none of such licences, permits, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any material adverse effect on the business of the Corporation as now conducted or as proposed to be conducted, and the Corporation is not aware of any legislation, regulation, rule or lawful requirements presently in force or proposed to be brought into force which the Corporation anticipates the Corporation will be unable to comply with without materially adversely affecting the Corporation;
- (iv) the Corporation has full corporate power and authority to enter into this Agreement and to perform its obligations set out herein, this Agreement has been duly authorized, executed and delivered by the Corporation, and this Agreement is a legal, valid and binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms subject to the general qualifications that:
 - A. the enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting creditors' rights;
 - B. equitable remedies, including the remedies of specific performance and injunctive relief, are available only in the discretion of the applicable court;
 - C. the enforceability of any provision exculpating a party from liability or duty otherwise owed by it may be limited under applicable law;
 - D. the enforceability of provisions which purport to sever any provision which is prohibited or unenforceable under applicable law without affecting the enforceability or validity of the remainder of such document would be determined only in the discretion of the court;
 - E. the equitable or statutory powers of the courts in Canada having jurisdiction to stay proceedings before them and the execution of judgments;

- F. rights to indemnity and contribution hereunder may be limited under applicable law; and
 - G. the enforceability may be limited by applicable laws regarding limitation of actions;
- (v) the Corporation has full corporate capacity, power and authority to issue the Offered Shares and to grant the Over-Allotment Option and, at the Closing Time, the Shares and, if applicable, at the Additional Closing Time, the Over-Allotment Shares, will be duly and validly authorized, allotted and reserved for issuance and, upon receipt of the purchase price therefor, the Offered Shares will be duly and validly issued as fully paid and non-assessable;
 - (vi) the attributes and characteristics of the Offered Shares conform in all material respects to the attributes and characteristics thereof described in the Prospectuses;
 - (vii) the Corporation has the necessary corporate power and authority to execute, deliver and file the Prospectuses and, prior to the filing of each of the Prospectuses, all requisite action will have been taken by the Corporation to authorize the execution, delivery and filing of the applicable Prospectus;
 - (viii) the Corporation is not in default or breach of this Agreement and the execution and delivery of this Agreement, and the performance of and compliance with the terms hereof by the Corporation or any of the transactions contemplated hereby does not and will not result in any breach of, or constitute a default under, and does not and will not create a state of facts which, after notice or lapse of time or both, would result in a breach of or constitute a default under: (i) any term or provision of the articles, by-laws or constating documents of the Corporation, (ii) any resolutions of shareholders or directors (or any committee thereof) of the Corporation, (iii) any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which it is bound, (iv) any law, judgment, decree, order, statute, rule or regulation applicable to the Corporation, which default or breach might reasonably be expected to materially adversely affect the business, operations, capital or condition (financial or otherwise) of the Corporation or its properties or assets (on a consolidated basis) or would impair the ability of the Corporation to consummate the transactions contemplated hereby or to duly observe and perform any of its covenants or obligations contained in this Agreement;
 - (ix) the information and statements set forth in the Public Record were materially true, correct and complete and did not contain any material misrepresentation as of the date of such information or statement and remain true, correct and complete, except as affected by any subsequent filing in the Public Record, and the Corporation has not filed any confidential material change reports still maintained on a confidential basis;
 - (x) there has not been any material change in the assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation or otherwise affecting the Corporation from the position set forth in the Financial Statements and since June 30, 2010 there have been no material facts, transactions, events or

occurrences (other than respecting commodity prices or affecting the oil and gas industry in general) which could reasonably be expected to materially adversely affect the capital, assets, liabilities (absolute, accrued, contingent or otherwise), business, operations or condition (financial or otherwise) or results of the operations of the Corporation which have not been disclosed in writing to the Agent or which are not contained in the Public Record;

- (xi) the Financial Statements fairly present, in all material respects, in accordance with GAAP, consistently applied, the financial position and condition of the Corporation as at the dates thereof and the results of the operations of the Corporation for the periods then ended and reflect, in accordance with GAAP, all assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation as at the dates thereof;
- (xii) the Corporation has no liabilities, obligations, indebtedness or commitments, whether accrued, absolute, contingent or otherwise, which are not disclosed or referred to in the Financial Statements, or referred to or disclosed in the Prospectuses, other than liabilities, obligations, or indebtedness or commitments (i) incurred in the normal course of business or (ii) which would not have a material adverse effect on the Corporation;
- (xiii) there are no actions, suits, proceedings or inquiries pending or (as far as the Corporation is aware) threatened against or affecting the Corporation at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way materially adversely affects, or may in any way materially adversely affect, the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation or its properties or assets or which affects or may affect the distribution of the Offered Shares or which would impair the ability of the Corporation to consummate the transactions contemplated hereby or to duly observe and perform any of its covenants or obligations contained in this Agreement and the Corporation is not aware of any existing ground on which such action, suit, proceeding or inquiry might be commenced with any reasonable likelihood of success;
- (xiv) the Corporation is not a party to or bound by any agreement of guarantee or indemnification, other than: (i) an indemnification of directors and officers in accordance with its by-laws and applicable laws; (ii) indemnities in favour of the Agent in connection with the Offering; (iii) indemnities and guarantees in favour of the Corporation's bankers; (iv) standard indemnities in favor of purchasers of assets in purchase and sale agreements; and (v) indemnities to support the Corporation's obligations pursuant to agreements entered in the ordinary course of business, or any other like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any other person;
- (xv) the Corporation does not have any loans or other material indebtedness outstanding which have been made to or from any of its shareholders, officers, directors or employees or any other person not dealing at arm's length with it;

- (xvi) other than as disclosed in the Financial Statements, no officer, director, employee or any other person not dealing at arm's length with the Corporation or any associate or affiliate (as such terms are defined in the Applicable Securities Laws) of any such person, owns, has or is entitled to any royalty, net profits interest, carried interest or any other encumbrances or claims of any nature whatsoever which are based on production from the Corporation's properties or assets or any revenue or rights attributed thereto;
- (xvii) the authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares, of which prior to the issue of the Offered Shares contemplated hereby, 33,696,780 Common Shares and nil preferred shares are outstanding, which Common Shares were validly issued as fully paid and non-assessable shares;
- (xviii) other than 2,950,500 Common Shares reserved for issuance upon exercise of stock options granted to directors, officers, employees or consultants of the Corporation, no person, firm, corporation or other entity holds any securities convertible or exchangeable into securities of the Corporation or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement for the purchase, subscription or issuance of any unissued shares, securities (including convertible securities) or warrants of the Corporation;
- (xix) the Corporation is a "reporting issuer" in British Columbia, Alberta, Manitoba and Ontario within the meaning of the Applicable Securities Laws in such provinces and is not in default of any requirement of Applicable Securities Laws in such provinces in any material respect;
- (xx) the Corporation does not have any Subsidiaries;
- (xxi) the minute books of the Corporation are true and correct in all material respects and contain the minutes of all meetings and all the resolutions of directors (and any committee thereof) and shareholders thereof;
- (xxii) the books of account and other records of the Corporation, whether of a financial or accounting nature or otherwise, have been maintained in accordance with prudent business practices in all material respects;
- (xxiii) the form and terms of the definitive certificates representing the Offered Shares have been duly approved and adopted by the Corporation and comply with all legal and Exchange requirements relating thereto;
- (xxiv) the Corporation has duly and on a timely basis filed all tax returns required to be filed by it, has paid all taxes due and payable by it and has paid all assessments and reassessments and all other taxes, governmental charges, penalties, interest and other fines due and payable by it and which were claimed by any governmental authority to be due and owing and adequate provision has been made for taxes payable for any completed fiscal period for which tax returns are not yet required and there are no agreements, waivers, or other arrangements providing for an extension of time with respect to the filing of any tax return or payment of any tax, governmental charge or deficiency by the Corporation and to

the best of the knowledge, information and belief of the Corporation there are no actions, suits, proceedings, investigations or claims threatened or pending against the Corporation in respect of taxes, governmental charges or assessments or any matters under discussion with any governmental authority relating to taxes, governmental charges or assessments asserted by any such authority;

- (xxv) all filings made by the Corporation under which the Corporation has received or is entitled to receive government incentives have been made in accordance, in all material respects, with all applicable legislation and contain no misrepresentations of material fact or omit to state any material fact which could cause any material amount previously paid to the Corporation or previously accrued on the accounts thereof to be unrecoverable or disallowed;
- (xxvi) any and all operations of the Corporation, and, to the knowledge of the Corporation, any and all operations by third parties, on or in respect of the assets and properties of the Corporation, have been conducted in accordance with good international oil and gas industry practices and in material compliance with applicable laws, rules, regulations, orders and directions of governmental and other competent authorities;
- (xxvii) the Corporation's material properties and assets are free and clear of all mortgages, pledges, liens, charges and encumbrances, other than those encumbrances that are standard in the international oil and gas industry or which do not and will not have a material adverse effect on the ownership or operation of its assets and properties ("**Permitted Encumbrances**"), and other than Permitted Encumbrances, the Corporation has done no act or suffered or permitted no action to be done whereby any person has acquired or may acquire an interest in or to its material properties or assets, nor has it done any act, omitted to do any act or permitted any act to be done that may adversely affect or defeat its title to any of its material properties or assets;
- (xxviii) although it does not warrant title to its assets or properties, the Corporation:
 - (i) has no reason to believe that it does not have title and the right to produce and sell the petroleum, natural gas and related hydrocarbons produced, saved and sold from its properties (for the purpose of this subsection, the foregoing are collectively referred to as the "**Interests**");
 - (ii) represents and warrants that the Interests are free and clear of adverse claims created by, through or under the Corporation except those arising in the ordinary course of business; and
 - (iii) to its knowledge, holds its Interests under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements except where the failure to so hold its Interests would not have a material adverse effect on the Corporation;
- (xxix) except to the extent that any violation or other matter referred to in this subsection does not have a material adverse effect on the business, financial condition, assets, properties, liabilities or operations of the Corporation:
 - A. the Corporation is not in material violation of any applicable federal, provincial, state, municipal, local or foreign statutes, laws, regulations, orders, codes, policies, government decrees or ordinances with respect to environmental, health or safety matters, or any judicial or administrative

interpretation thereof, in its respective jurisdiction of operations (collectively, "**Environmental Laws**");

- B. the Corporation has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants, pollutants, hazardous or toxic substances, petroleum and petroleum products without violation of Environmental Laws;
 - C. there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants, pollutants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by the Corporation that have not been remedied;
 - D. no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Corporation;
 - E. the Corporation has not failed to report to the proper federal, provincial, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign (a "**Government Authority**") the occurrence of any event which is required to be so reported by any Environmental Law;
 - F. the Corporation holds all licences, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of its assets, all such licences, permits and approvals are in full force and effect, and except for (A) notifications and conditions of general application to assets of the type owned by the Corporation, and (B) notifications relating to reclamation obligations under the *Environmental Protection and Enhancement Act* (Alberta) or any equivalent legislation in other jurisdictions, and the Corporation has not received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any licence, permit or approval issued pursuant thereto, or that any licence, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated; and
 - G. the Corporation has not received any notice of, or been prosecuted for an offence alleging, material non-compliance with any Environmental Laws, and the Corporation has not settled any allegation of material non-compliance short of prosecution;
- (xxx) the Corporation is not aware of any defects, failures or impairments in the title of the Corporation to its crude oil, natural gas liquids and natural gas properties, whether or not an action, suit, proceeding or inquiry is pending or threatened or whether or not discovered by any third party, which in aggregate could have a material adverse effect on: (a) the quantity and pre-tax present worth values of crude oil, natural gas liquids and natural gas reserves of the Corporation; (b) the current production volumes of the Corporation; or (c) the current cash flow of the

Corporation;

- (xxxix) the Corporation made available to Sproule, prior to the issuance of the Reserves Report, for the purpose of preparing such report, all information requested by Sproule, which information did not contain any material misrepresentation at the time such information was so provided; the Corporation has no knowledge of a material adverse change in any information provided to Sproule since that date; the Corporation believes that the Reserves Report reasonably presented the quantity of the oil and gas resources attributable to the conventional crude oil, natural gas liquids and natural gas properties evaluated in such report as at the date stated therein based upon information available at the time the Reserves Report was prepared;
- (xxxii) other than as disclosed to the Agent in writing and this Agreement, there are no material contracts or agreements to which the Corporation is a party or by which it is bound or which are required by the Corporation to carry on the Corporation's business as now conducted by it and presently proposed to be conducted by it, and each of such contracts and agreements constitutes a legally valid and binding agreement of the Corporation enforceable in accordance with its terms and, to the knowledge of the Corporation, no party thereto is in default thereunder, which default may have a material adverse effect on the Corporation or its properties and assets (taken as a whole); for the purposes of this subsection, any contract or agreement pursuant to which the Corporation will, or may reasonably be expected to, result in a requirement to expend more than an aggregate of \$100,000 or receive or be entitled to receive revenue of more than \$100,000, in either case in the next 12 months, or is out of the ordinary course of business of the Corporation, shall be considered to be material;
- (xxxiii) no Securities Commission or any other securities commission or similar regulatory authority has issued any order preventing or suspending trading in any securities of the Corporation, and the Corporation is not in default of any requirement of Applicable Securities Laws that would have a material adverse effect on the Offering or the Corporation;
- (xxxiv) no authorization, approval or consent of any court or governmental authority or agency is required to be obtained by the Corporation in connection with the sale and delivery of the Offered Shares, except pursuant to Applicable Securities Laws and approval of the Exchange;
- (xxxv) other than as disclosed in writing to the Agent, the Corporation is not a party to any contracts of employment which may not be terminated on one month's notice or which provide for payments occurring on a change of control of the Corporation;
- (xxxvi) based solely upon representations made by the Corporation's auditors to the Corporation, the Corporation's auditors are independent chartered accountants with respect to the Corporation as required by Applicable Securities Laws;
- (xxxvii) there has not been any reportable disagreement (within the meaning of Section 4.11 of National Instrument 51-102 of the Canadian Securities Administrators) with the auditors of the Corporation;

- (xxxviii) the Transfer Agent, at its principal offices in the city of Calgary, Alberta, has been duly appointed registrar and transfer agent for the Common Shares;
- (xxxix) the issued and outstanding Common Shares are listed and posted for trading on the Exchange and the Corporation is in compliance in all material respects with the current listing and corporate governance requirements of the Exchange;
- (xl) the Corporation does not currently have any Swaps outstanding;
- (xli) other than as provided for in this Agreement, the Corporation has not incurred any obligation or liability, contingent or otherwise, for brokerage fees, finder's fees, commission or other forms of compensation with respect to the transactions contemplated herein for which the Corporation will have any liability or obligation except as provided herein;
- (xlii) the Corporation does not have in place a shareholder rights plan and, as at the date hereof, the Corporation has no written agreement with respect to the nomination of any new directors to the board of directors of the Corporation and no person currently holds the right to be nominated to the board of directors of the Corporation;
- (xliii) to its knowledge, neither the Corporation nor any of its shareholders is a party to any unanimous shareholders agreement, pooling agreement, voting trust or other similar type of arrangements in respect of outstanding securities of the Corporation;
- (xliv) to the knowledge of the Corporation, no director or senior officer of the Corporation has a present intention to sell any securities of the Corporation held by it;
- (xlv) other than as set forth in the Public Record, to the knowledge of the Corporation, none of the directors or senior officers of the Corporation or any associate or affiliate (as such terms are defined in the Applicable Securities Laws) of any of the foregoing persons or companies has, or has had any material interest, direct or indirect, in any continuing or existing material transaction or has any material interest, direct or indirect in any proposed material transaction which, as the case may be, is material to or will materially affect the Corporation;
- (xlvi) the Corporation is not party to any agreement (written or oral) to purchase or dispose of any significant assets;
- (xlvii) the Corporation is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the business in which it is engaged; all policies of insurance insuring the Corporation and its business, assets, employees, officers and directors are in full force and effect, except where the failure to be in full force and effect would not have an adverse material effect on the business, operations, capital or condition (financial or otherwise) of the Corporation or its assets;

- (xlviii) the Corporation is in compliance with all loan agreements to which it is a party and is not in default under any such agreements nor in breach of any covenants thereunder;
- (xlix) no material labour dispute with the employees of the Corporation currently exists or, to the knowledge of the Corporation, is imminent; the Corporation is not a party to any collective bargaining agreement and, to the knowledge of the Corporation, no action has been taken or is contemplated to organize any employees of the Corporation; and
- (l) the Responses will be true and correct, where they relate to matters of fact, in all material respects as at the time the Responses are given and, to the knowledge of the Corporation, the Responses taken as a whole shall not omit any fact or information necessary to make any of the Responses not misleading in light of the circumstances in which the Responses were given, and the Corporation and its directors and officers will have responded in a thorough and complete fashion; where the Responses reflect the opinion or view of the Corporation or its directors or officers (including Responses or portions of such Responses which are forward-looking or otherwise relate to projections, forecasts or estimates of future performance or results (operating, financial or otherwise) ("**Forward-looking Statements**")), such opinions or views are subject to the qualifications and provisions set forth in the Responses and will be honestly held and believed to be reasonable at the time they are given; provided, however, it shall not constitute a breach of this paragraph solely if the actual results vary or differ from those contained in Forward-looking Statements.

8. Conditions

The obligations of the Agent hereunder to offer the Offered Shares for sale at the Closing Time shall be conditional upon all representations and warranties and other statements of the Corporation herein being, at and as of the Closing Time, true and correct in all material respects, the Corporation having performed in all material respects, at the Closing Time, all of its obligations hereunder theretofore to be performed and the Agent receiving at the Closing Time:

- (a) a legal opinion dated the Closing Date from the Corporation's counsel addressed to the Agent and the Agent's counsel in form and substance reasonably satisfactory to the Agent, with respect to such matters as the Agent may reasonably request relating to the distribution of the Offered Shares and the transactions contemplated hereby, including, without limitation:
 - (i) the Corporation has been duly organized and is valid and subsisting under its jurisdiction of incorporation or organization and has all requisite corporate power and authority to carry on its business as described in the Prospectus and to own its assets and is qualified to carry on business under the laws of each jurisdiction in which it carries on a material portion of its business;
 - (ii) the Corporation has full corporate power and authority to enter into this Agreement and to perform its obligations set out herein, and this Agreement has been duly authorized, executed and delivered by the Corporation and constitutes a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms, subject to laws relating to creditors'

rights generally and except as rights to indemnity may be limited by applicable law and other appropriate qualifications;

- (iii) the execution and delivery of this Agreement by the Corporation do not and will not result in a breach of, or constitute a default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or constitute a default under:
 - A. any applicable laws of the Province of Alberta or the federal laws of Canada applicable therein;
 - B. any term or provision of the articles, by-laws or other constating documents, as applicable, of the Corporation, or, of which counsel is aware, any resolutions of the shareholders or directors (or any committee thereof) of the Corporation;
 - C. of which counsel is aware, any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which it is bound on the Closing Date; or
 - D. of which counsel is aware, any judgment, decree or order, of any court, governmental agency or body or regulatory authority having jurisdiction over the Corporation or its properties or assets;
- (iv) the Corporation is a "reporting issuer" in each of the provinces of British Columbia, Alberta, Manitoba and Ontario and is not included in a list of defaulting reporting issuers maintained pursuant to the applicable securities legislation of such provinces, and is eligible to participate in NI 44-101 in each Qualifying Jurisdiction;
- (v) the form and terms of the certificates representing the Offered Shares have been approved and adopted by the directors of the Corporation and comply with all legal and Exchange requirements relating thereto;
- (vi) the Offered Shares and, if applicable, the Over-Allotment Shares have been duly and validly created, allotted and issued as fully paid and non-assessable Common Shares;
- (vii) the attributes of the Offered Shares conform in all material respects with the description thereof contained in the Prospectuses;
- (viii) the Offered Shares are eligible investments as set out under the heading "Eligibility for Investment" in the Prospectuses (subject to the assumptions and qualifications set out therein);
- (ix) all necessary documents have been filed, all necessary proceedings have been taken and all legal requirements have been fulfilled as required under the Applicable Securities Laws of each of the Qualifying Jurisdictions in order to qualify the Offered Shares for distribution and sale to the public in each such Qualifying Jurisdiction by or through investment dealers and brokers duly registered under the applicable laws of such jurisdictions who have complied

with the relevant provisions of such Applicable Securities Laws;

- (x) the Corporation has the necessary corporate power and authority to execute and deliver the Prospectuses and all necessary corporate action has been taken by the Corporation to authorize the execution and delivery by it of the Prospectuses and the filing thereof, as the case may be, in each of the Qualifying Jurisdictions in accordance with Applicable Securities Laws;
- (xi) the Transfer Agent, at its principal office in Calgary, Alberta, has been duly appointed the transfer agent and registrar for the Common Shares;
- (xii) the Exchange has conditionally accepted the Offering, and the Offered Shares are conditionally approved for listing subject only to the conditions set forth in its conditional approval letter;

and additionally, relating to the authorized and issued capital of the Corporation and as to all other legal matters in any way connected with the Offering as the Agent may reasonably request.

It is understood that the Corporation's counsel may rely on the opinions of local counsel acceptable to them as to matters governed by the laws of jurisdictions other than the jurisdiction of residence of such counsel or Canada, and on certificates of officers of the Corporation, the Transfer Agent and the auditors of the Corporation as to relevant matters of fact;

- (b) a favourable legal opinion of the Corporation's U.S. counsel addressed to the Agent, in form and substance satisfactory to the Agent and the Agent's counsel, acting reasonably, which opinion may be subject to usual and customary qualifications for opinions of the type to be given, to the effect that no registration under the U.S. Securities Act is required for the offer and sale of the Offered Shares in the United States in accordance with the terms of this Agreement, including Schedule "A" attached hereto;
- (c) a certificate of the Corporation dated the Closing Date, addressed to the Agent and signed on the Corporation's behalf by its Chief Executive Officer and Chief Financial Officer or such other officers or directors of the Corporation satisfactory to the Agent, acting reasonably, certifying that:
 - (i) the Corporation has complied with and satisfied all terms and conditions of this Agreement on its part to be complied with or satisfied at or prior to the Closing Time other than those which have been waived by the Agent;
 - (ii) the representations and warranties of the Corporation set forth in this Agreement are true and correct at the Closing Time, as if made at such time; and
 - (iii) no event of a nature referred to in subsections 12(a), (b) or (e) has occurred or to the knowledge of such officer is pending, contemplated or threatened (excluding any requirement to make any determinations as to the Agent's opinion);
- (d) a comfort letter of the Corporation's auditors and those other auditors required to provide a "comfort letter" pursuant to subsection 4(d) addressed to the Agent and dated the Closing Date, satisfactory in form and substance to the Agent, acting reasonably,

bringing the information contained in the comfort letters referred to in subsection 4(d) hereof up to the Closing Time, which comfort letters shall be dated not more than two business days prior to the Closing Date;

- (e) evidence satisfactory to the Agent that the Offered Shares have been conditionally listed on and upon satisfying the requirements of the Exchange shall be posted for trading as at the opening of business on the Closing Date; and
- (f) such other certificates and documents as the Agent may request, acting reasonably.

9. Deliveries

- (a) The sale of the Firm Shares to be purchased hereunder shall be completed at the Closing Time at the offices of the Corporation's counsel in Calgary, Alberta or at such other place as the Corporation and the Agent may agree. Subject to the conditions set forth in section 8, the Agent, on the Closing Date, shall deliver to the Corporation, by certified cheque, bank draft or wire transfer, the amount of \$1.60 per Firm Share sold pursuant to the Offering (being an aggregate amount of up to \$25,000,000) against delivery by the Corporation of:
 - (i) the opinions, certificates and documents referred to in section 8;
 - (ii) proof of deposit representing, in the aggregate, all of the Firm Shares which have been sold pursuant to the Offering, subject to subsection 9(c) below, registered in the name of CDS & Co., or in such other name or names as the Agent shall notify the Corporation of in writing not less than 24 hours prior to the Closing Time; and
 - (iii) payment to the Agent, by certified cheque, bank draft or wire transfer or such other means as the Corporation and the Agent may agree, of the Agent's Commission in respect of the Firm Shares sold pursuant to the Offering and the expenses of the Agent payable pursuant to Section 10, provided that such amounts may, in the Agent's sole discretion, be deducted from the proceeds of the Offering payable by the Agent to the Corporation under subsection 9(a) hereof.
- (b) The sale of the Over-Allotment Shares, if applicable, shall be completed at the offices of the Corporation's counsel in Calgary, Alberta, or at such other place as the Corporation and the Agent may agree, on the date (the "**Additional Closing Date**") and at the time (the "**Additional Closing Time**") specified by the Agent in the written notice given by the Agent confirming its election to purchase such Over-Allotment Shares (provided that in no event shall such time be earlier than the Closing Time or earlier than two or later than 10 business days after the date of the written notice of the Agent to the Corporation in respect of the Over-Allotment Shares), or at such other time and date as the Agent and the Corporation may agree upon in writing. Subject to the conditions set forth in section 8 hereof (with the references therein to the Closing Time changed to the Additional Closing Time), the Agent, at the Additional Closing Time, shall deliver to Corporation, by certified cheque, bank draft or wire transfer or such other means as the Corporation and the Agent may agree, the amount of \$1.60 per Over-Allotment Share sold pursuant to the exercise of the Over-Allotment Option (being an aggregate of \$3,750,000 if the Over-Allotment Option is exercised in full), against delivery by the Corporation of:

- (i) the opinions, certificates and documents referred to in section 8 hereof (with the references therein to the Closing Time and Closing Date changed to the Additional Closing Time and Additional Closing Date, respectively);
- (ii) proof of deposit representing, in the aggregate, all of the Over-Allotment Shares sold pursuant to the exercise of the Over-Allotment Option, subject to subsection 9(c) below, registered in the name of CDS & Co., or in such other name or names as the Agent shall notify the Corporation of in writing not less than 24 hours prior to the Additional Closing Time; and
- (iii) payment to the Agent, by certified cheque, bank or wire transfer or such other means as the Corporation and the Agent may agree, of the Agent's Commission in respect of the Over-Allotment Shares sold pursuant to the exercise of the Over-Allotment Option and the expenses of the Agent payable pursuant to section 10 hereof, provided that such amounts may, in the Agent's sole discretion, be deducted from the proceeds of the Offering payable by the Agent to the Corporation under subsection 9(b) hereof.

Whether or not specifically contemplated in this Agreement, all provisions of this Agreement shall apply in the same manner and upon the same terms and conditions in respect of any Over-Allotment Shares as would apply to the Firm Shares issued and sold pursuant to this Agreement, and any steps to be taken or conditions to be satisfied at the Additional Closing Time shall be the same as those steps to be taken or conditions to be satisfied at Closing Time.

- (c) Except for any Offered Shares sold pursuant to Rule 506 of Regulation D, which Offered Shares shall be represented by definitive certificates delivered to the purchasers thereof, if the Corporation determines to issue the Offered Shares as a book-entry only security in accordance with the rules and procedures of The Canadian Depository for Securities Limited ("CDS"), then, as an alternative to the Corporation delivering to the Agent definitive certificates representing the Offered Shares in the manner and at the times set forth in this section 9:
 - (i) the Agent will provide a direction to CDS with respect to the crediting of the Offered Shares to the accounts of the participants of CDS as shall be designated by the Agent in writing in sufficient time prior to the Closing Date to permit such crediting; and
 - (ii) the Corporation shall cause the Transfer Agent, as registrar and transfer agent of the Offered Shares, to deliver to CDS, on behalf of the Agent, one fully registered global certificate for the Offered Shares to be purchased hereunder, registered in the name of "CDS & Co." as the nominee of CDS, or deposit the Offered Shares directly with CDS, to be held by CDS as a book-entry only security in accordance with the rules and procedures of CDS.

10. Expenses

Whether or not the transactions contemplated herein shall be completed, all reasonable costs and expenses (including applicable GST) of or incidental to the transactions contemplated hereby including, without limitation, those relating to the distribution of the Offered Shares, shall be borne by the

Corporation, including, without limitation, all costs and expenses of or incidental to the preparation, filing and reproduction (including the commercial copies thereof) of the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum, any Supplementary Material, and the delivery thereof to the Agent, the fees and expenses of the Corporation's counsel, the fees and expenses of agent counsel retained by the Corporation or the Corporation's counsel, the fees and expenses of the Transfer Agent, any auditors, engineers and other outside consultants, all stock exchange listing fees, the reasonable fees and expenses of the Agent, and the reasonable fees, disbursements and taxes of Agent's counsel (up to a maximum of \$60,000). The fees and expenses incurred by the Agent which are reimbursable hereunder shall be payable by the Corporation to the Agent via two equal installments of \$62,500. The Agent hereby acknowledges receipt of the first installment. The second installment shall be payable upon Closing (or may, at the option of the Agent be deducted from the proceeds of the Offering hereunder as contemplated by section 9 hereof).

11. Conditions

All terms, covenants and conditions of this Agreement to be performed by the Corporation shall be construed as conditions, and any breach or failure to comply with any material terms and conditions which are for the benefit of the Agent shall entitle an Agent to terminate its obligations to purchase the Offered Shares, by written notice to that effect given to the Corporation prior to the Closing Time. The Agent may waive in whole or in part any breach of, default under or non-compliance with any representation, warranty, term or condition hereof, or extend the time for compliance therewith, without prejudice to any of its rights in respect of any other representation, warranty, term or condition hereof or any other breach of, default under or non-compliance with any other representation, warranty, term or condition hereof, provided that any such waiver or extension shall be binding on the Agent only if the same is in writing.

12. Termination Events

The Agent may terminate its obligations hereunder by written notice to the Corporation, in the event that after the date hereof and at or prior to the Closing Time:

- (a) any order to cease or suspend trading in any securities of the Corporation, or prohibiting or restricting the distribution of the Offered Shares or the Over-Allotment Option, is made, or proceedings are announced or commenced for the making of any such order, by the Securities Commissions, any other securities commission, the Exchange or similar regulatory authority, and has not been rescinded, revoked or withdrawn;
- (b) any inquiry, investigation (whether formal or informal) or other proceeding in relation to the Corporation, or any of its directors or senior officers, is announced or commenced by the Securities Commissions, any other securities commissions, the Exchange or similar regulatory authority, or there is any change of law or the interpretation or administration thereof, if, in the opinion of the Agent acting reasonably, the announcement or commencement thereof or change, as the case may be, materially adversely affects the trading of the Common Shares or distribution of the Offered Shares;
- (c) there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law or regulation which in the opinion of the Agent acting reasonably seriously adversely affects, or involves, or will seriously adversely affect or involve the financial markets generally or the business, operations or affairs of the Corporation;

- (d) the state of the financial markets in Canada or the United States is such that, in the opinion of the Agent acting reasonably, the Offered Shares cannot be marketed profitably;
- (e) the Corporation shall be in breach of, default under or non-compliance with any representation, warranty, term or condition of this Agreement in any material respect; or
- (f) the Agent shall become aware of any information with respect to the Corporation which had not been publicly disclosed or disclosed in writing to the Agent at or prior to the date hereof and which in the sole opinion of the Agent, acting reasonably, could be expected to have a material adverse effect on the market price or value of the Offered Shares or the marketability of the Offered Shares.

13. Continuation of Termination Right

The Agent may exercise any or all of the rights provided for in paragraphs 8, 11 or 12 up to the Closing Time notwithstanding any material change, change, event or state of facts and notwithstanding any act or thing taken or done by the Agent or any inaction by the Agent, whether before or after the occurrence of any material change, change, event or state of facts including, without limitation, any act of the Agent related to the offering or continued offering of the Offered Shares for sale and the Agent shall only be considered to have waived or be estopped from exercising or relying upon any of its rights under or pursuant to section 8, 11 or 12 if such waiver or estoppel is in writing and specifically waives or estops such exercise or reliance.

14. Exercise of Termination Right

Any termination pursuant to the terms of this Agreement shall be effected by notice in writing delivered to the Corporation, provided that no termination shall discharge or otherwise affect any obligations of the Corporation under paragraphs 10, 16 or 17. The rights of an Agent to terminate its obligations hereunder are in addition to, and without prejudice to, any other remedies it may have.

15. Survival

All representations, warranties, terms and conditions herein or contained in certificates or documents submitted pursuant to or in connection with the transactions contemplated herein shall survive the payment by the Agent for the Offered Shares and the distribution of the Offered Shares pursuant to the Prospectus and the U.S. Placement Memorandum and shall continue in full force and effect for the benefit of the Agent regardless of any investigation by or on behalf of the Agent with respect thereto.

16. Indemnity of the Corporation

- (a) The Corporation shall indemnify and save the Agent, and each of the Agent's agents, directors, officers, partners, principals, employees and advisors (collectively, the "**Indemnified Persons**" and each an "**Indemnified Person**"), harmless against and from all liabilities, claims, demands, losses (other than losses of profit), costs (including, without limitation, reasonable legal fees and disbursements on a full indemnity basis), damages and expenses to which the Indemnified Person may be subject or which the Indemnified Person may suffer or incur, whether under the provisions of any statute or otherwise, in any way caused by, or arising directly or indirectly from or in consequence of:

- (i) any information or statement contained in the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum, any Supplementary Material, any part of the Public Record or in any other document or material filed or delivered by or on behalf of the Corporation pursuant hereto (other than any information or statement relating solely to the Agent and furnished to the Corporation by the Agent expressly for inclusion in the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum or any Supplementary Material or such other document or material) which is or is alleged to be untrue or any omission or alleged omission to provide any information or state any fact (other than any information or fact relating solely to the Agent and furnished to the Corporation by the Agent expressly for inclusion therein) the omission of which makes or is alleged to make any such information or statement untrue or misleading in light of the circumstances in which it was made;
- (ii) any misrepresentation or alleged misrepresentation (except a misrepresentation which is based upon information relating solely to the Agent and furnished to the Corporation by the Agent in writing expressly for inclusion in the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, U.S. Placement Memorandum, any Supplementary Material or in any document or other part of the Public Record) contained in the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum, any Supplementary Material or in any other document or any other part of the Public Record filed by or on behalf of the Corporation;
- (iii) any prohibition or restriction of trading in the securities of the Corporation or any prohibition or restriction affecting the distribution of the Offered Shares (not based upon the activities or the alleged activities of any of the Agent or its banking or Selling Dealer Group, if any) imposed by any competent authority if such prohibition or restriction is based on any misrepresentation or alleged misrepresentation of a kind referred to in subsection 16(a)(ii);
- (iv) any order made or any inquiry, investigation (whether formal or informal) or other proceeding commenced or threatened by any one or more competent authorities (not based upon the activities or the alleged activities of the Agent or its banking or Selling Dealer Group members, if any) prohibiting, restricting, relating to or materially affecting the trading or distribution of the Offered Shares; or
- (v) any breach of, default under or non-compliance by the Corporation with any requirements of the Applicable Securities Laws, the by-laws, rules or regulations of the Exchange or any representation, warranty, term or condition of this Agreement or in any certificate or other document delivered by or on behalf of the Corporation hereunder or pursuant hereto;

provided, however, no Indemnified Person who has engaged in any fraud, wilful misconduct, fraudulent misrepresentation or gross negligence shall be entitled, to the extent that a court of competent jurisdiction from which no appeals can be made has determined that the liabilities, claims, losses, costs, damages or expenses resulted solely from such activity, to claim indemnification from any person who has not engaged in

such fraud, wilful misconduct, fraudulent misrepresentation or gross negligence (provided that, for greater certainty, the foregoing shall not disentitle an Agent from claiming indemnification hereunder to the extent that the negligence, if any, relates to the Agent's failure to conduct adequate "due diligence").

- (b) If any claim contemplated by subsection 16(a) shall be asserted against any of the Indemnified Persons in respect of which indemnification is or might reasonably be considered to be provided for in such subsection, such Indemnified Person shall notify the Corporation (provided that failure to so notify the Corporation of the nature of such claim in a timely fashion shall relieve the Corporation of liability hereunder only if and only to the extent that such failure results in the forfeiture by the Corporation of substantive rights or defences) as soon as possible of the nature of such claim and the Corporation shall be entitled (but not required) to assume the defense of any suit brought to enforce such claim, provided, however, that the defense shall be through legal counsel selected by the Corporation and acceptable to the Indemnified Person acting reasonably and that no admission of liability or settlement may be made by the Corporation or the Indemnified Person without the prior written consent of the other, such consent not to be unreasonably withheld or delayed. The Indemnified Person shall have the right to retain its own counsel in any proceeding relating to a claim contemplated by subsection 16(a) if:
- (i) the Indemnified Person has been advised by counsel that there may be a legal defense available to the Indemnified Person which is different from or additional to a defense available to the Corporation or that representation of the Indemnified Person and the Corporation by the same counsel would be inappropriate due to the actual or potential differing interests between them (in which case the Corporation shall not have the right to assume the defense of such proceedings on the Indemnified Person's behalf);
 - (ii) the Corporation shall not have taken the defense of such proceedings and employed counsel within 10 days after notice has been given to the Corporation of commencement of such proceedings; or
 - (iii) the employment of such counsel has been authorized by the Corporation in writing in connection with the defense of such proceedings;

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

- (c) The Corporation hereby waives its rights to recover contribution from the Agent with respect to any liability of the Corporation by reason of or arising out of any misrepresentation in the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum, any Supplementary Material or any other part of the Public Record, provided, however, that such waiver shall not apply in respect of liability caused or incurred by reason of: (i) any misrepresentation which is based upon information relating solely to the Agent contained in such document and furnished to the Corporation by the Agent expressly for inclusion in the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement

Memorandum, the U.S. Placement Memorandum, any Supplementary Material or any other part of the Public Record; and (ii) any failure by the Agent to provide to prospective purchasers of Offered Shares any document which the Corporation is required to provide to such prospective purchasers and which the Corporation has provided to the Agent to forward to such prospective purchasers in accordance with the terms of this Agreement, provided that the Corporation shall have complied with section 6.

- (d) If any legal proceedings shall be instituted against the Corporation in respect of the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum, any Supplementary Material or any other part of the Public Record or the Offered Shares or if any regulatory authority or stock exchange shall carry out an investigation of the Corporation in respect of the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum, any Supplementary Material or any other part of the Public Record or the Offered Shares and, in either case, any Indemnified Person is required to testify, or respond to procedures designed to discover information, in connection with or by reason of the services performed by the Agent hereunder, the Indemnified Persons may employ their own legal counsel and the Corporation shall pay and reimburse the Indemnified Persons for the reasonable fees, charges and disbursements (on a full indemnity basis) of such legal counsel, and shall pay and reimburse the Indemnified Persons on a monthly basis for the other expenses reasonably incurred by the Indemnified Persons in connection with such proceedings or investigation and for the normal *per diem* rate for any director, officer or employee of the Agent involved in the preparation for or attendance at such proceedings or investigation.
- (e) The rights and remedies of the Indemnified Persons set forth in sections 16 and 17 (in the case of the Agent) hereof are, to the fullest extent possible in law, cumulative and not alternative and the election by the Agent or other Indemnified Person to exercise any such right or remedy shall not be, and shall not be deemed to be, a waiver of any other rights and remedies.
- (f) The Corporation waives any right it may have of first requiring an Indemnified Person to proceed against or enforce any other right, power, remedy or security or claim or to claim payment from any other person before claiming under this indemnity. It is not necessary for an Indemnified Person to incur expense or make payment before enforcing such indemnity.
- (g) The rights of indemnity contained in this section 16 shall not apply if the Corporation has complied with the provisions of sections 3, 4 and 5 hereof and the person asserting any claim contemplated by this section 16 was not provided with a copy of the Prospectus or any amendment to the Prospectus or other document which corrects any misrepresentation or alleged misrepresentation which is the basis of such claim and which was required, under Applicable Securities Laws, to be delivered to such person and which the Corporation has provided to the Agent to forward to such person.
- (h) If the Corporation has assumed the defense of any suit brought to enforce a claim hereunder, the Indemnified Person shall provide the Corporation copies of all documents and information in its possession pertaining to the claim, take all reasonable actions necessary to preserve its rights to object to or defend against the claim, consult and reasonably cooperate with the Corporation in determining whether the claim and any legal proceeding resulting therefrom should be resisted, compromised or settled and

reasonably cooperate and assist in any negotiations to compromise or settle, or in any defense of, a claim undertaken by the Corporation.

17. Contribution

- (a) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Agreement is due in accordance with its terms but is, for any reason, held by a court to be unavailable from the Corporation on grounds of policy or otherwise, the Corporation and the party or parties seeking indemnification shall contribute to the aggregate liabilities, claims, demands, losses (other than losses of profit), costs (including, without limitation, legal fees and disbursements on a full indemnity basis), damages and expenses (or claims, actions, suits or proceedings in respect thereof) to which they may be subject or which they may suffer or incur:
 - (i) in such proportion as is appropriate to reflect the relative benefit received by the Corporation on the one hand, and by the Agent on the other hand, from the offering of the Offered Shares; or
 - (ii) if the allocation provided by subsection 17(a)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in subsection 17(a)(i) above but also to reflect the relative fault of the Agent, on the one hand, and the Corporation, on the other hand, in connection with the statements, commissions or omissions or other matters which resulted in such liabilities, claims, demands, losses, costs, damages or expenses, as well as any other relevant equitable considerations.
- (b) The relative benefits received by the Corporation, on the one hand, and the Agent, on the other hand, shall be deemed to be in the same proportion that the total proceeds of the offering received by the Corporation (net of fees but before deducting expenses) bear to the fees received by the Agent. In the case of liability arising out of the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum, any Supplementary Material or any other part of the Public Record, the relative fault of the Corporation, on the one hand, and of the Agent, on the other hand, shall be determined by reference, among other things, to whether the misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter or thing referred to in section 16 hereof relates to information supplied or which ought to have been supplied by, or steps or actions taken or done on behalf of or which ought to have been taken or done on behalf of, the Corporation or the Agent and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter or thing referred to in section 16 hereof.
- (c) Each of the Corporation and the Agent agree that it would not be just and equitable if contributions pursuant to this Agreement were determined by *pro rata* allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding sections. The rights to contribution provided in this section 17 shall be in addition to, and without prejudice to, any other right to contribution which the Agent or other Indemnified Persons may have.
- (d) Any liability of an Agent under section 16 or 17 hereof shall be limited to the amount actually received by such Agent under section 2 hereof.

18. Notices

Any notice or other communication to be given hereunder shall be addressed to:

(a) the Corporation at:

Manitok Energy Inc.
Suite 2500, 639 – 5th Avenue S.W.
Calgary, Alberta T2P 0M9

Attention: Massimo Geremia
Facsimile No.: (403) 984-1749

with a copy to:

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

Attention: Gregory Peterson
Facsimile No.: (403) 263-9193

(b) the Agent at:

Integral Wealth Securities Limited
Waterpark Place
20 Bay Street, Suite 1305
Toronto, Ontario M5J 2N8

Attention: John Gibson
Facsimile No.: (416) 860-9669

with a copy to:

Shea Nerland Calnan LLP
2800, 715 – 5th Avenue S.W.
Calgary, Alberta T2P 2X6

Attention: Adam Rock
Facsimile No.: (403) 299-9601

or to such other address as the party may designate by notice given to the others. Each communication shall be personally delivered to the addressee or sent by facsimile transmission to the addressee, and:

- (c) a communication which is personally delivered shall, if delivered before 4:30 p.m. (Calgary time) on a business day, be deemed to be given and received on that day and, in any other case be deemed to be given and received on the first business day following, the day on which it is delivered; and
- (d) a communication which is sent by facsimile transmission shall, if sent on a business day

before 4:30 p.m. (Calgary time), be deemed to be given and received on that day and, in any other case be deemed to be given and received on the first business day following the day on which it is sent.

19. Restrictions on Offerings

The Corporation agrees and covenants that during the period commencing on the date of this Agreement and ending 90 days after the Closing Date, the Corporation shall not issue, sell or offer to sell or announce any intention to issue, sell or offer to sell any Common Shares or any securities exchangeable, convertible or exercisable into Common Shares, except as contemplated in this Agreement, without the written consent of the Agent, such consent not to be unreasonably withheld, except for:

- (a) securities issued or issuable to satisfy existing instruments or agreements disclosed in the Public Record; and
- (b) the grant of stock options or the issuance of Common Shares upon the exercise of stock options, in each case pursuant to the Corporation's stock option plan disclosed in the Public Record.

20. Relationship Between the Corporation and the Agent

The Corporation: (i) acknowledges and agrees that the Agent has certain statutory obligations as a registrant under the Applicable Securities Laws and may have relationships with its clients; (ii) acknowledges and agrees that the Agent is not a fiduciary of the Corporation; and (iii) consents to the Agent acting hereunder while continuing to act for its clients. To the extent that the Agent's statutory obligations as a registrant under the Applicable Securities Laws or relationships with its clients conflicts with its obligations hereunder, the Agent shall be entitled to fulfil its statutory obligations as a registrant under the Applicable Securities Laws and its duties to its clients. Nothing in this Agreement shall be interpreted to prevent the Agent from fulfilling its statutory obligations as a registrant under the Applicable Securities Laws or duties to its clients.

21. Stabilization

In connection with the distribution of the Offered Shares, the Agent may over-allot or effect transactions which stabilize or maintain the market price for the Common Shares at levels other than those which otherwise might prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

22. Use of Proceeds

The Corporation agrees to use the proceeds of the Offering in accordance with the disclosure in the Prospectuses, subject to the qualifications set forth therein.

23. Agent's Covenants

The Agent covenants and agrees with the Corporation, subject to the conditions in section 8 hereof, that it will:

- (a) use its commercially reasonable efforts to effect the sale of Offered Shares to the public in the Qualifying Jurisdictions, and may, subject to the terms of this Agreement, offer and

sell Offered Shares in the United States in the manner contemplated by Schedule "A" attached hereto;

- (b) conduct activities in connection with the proposed offer and sale of the Offered Shares in compliance with all Applicable Securities Laws and/or U.S. Securities Laws, and cause a similar covenant to be contained in any agreement entered into with any Selling Dealer Group established in connection with the distribution of the Offered Shares;
- (c) use all reasonable efforts to complete the distribution of Offered Shares as soon as possible;
- (d) not solicit subscriptions for the Offered Shares, trade in Offered Shares or otherwise do any act in furtherance of a trade of Offered Shares in any jurisdictions outside of the Qualifying Jurisdictions, except as contemplated in Schedule "A" attached hereto or in such other jurisdictions outside of Canada and the United States, provided that such sales are made in accordance with the applicable securities laws of such jurisdictions and provided that the Agent may so solicit, trade or act within such jurisdiction only if such solicitation, trade or act does not require the qualification or registration of such Offered Shares in that jurisdiction or the filing of a prospectus, registration statement or other notice or document with respect to the distribution of such Offered Shares under the laws of such jurisdiction nor subject the Corporation (or any of its directors, officers or employees) to any requirement to register, complete filings, or to any continuous or other disclosure with any regulatory authority in any such jurisdiction and will cause a similar covenant to be contained in any agreement entered into with any Selling Dealer Group established in connection with the distribution of such Offered Shares; and
- (e) as soon as reasonably practicable after the Closing Date (and in any event within 30 days thereof) provide the Corporation with a breakdown of the number of Offered Shares sold in each of the Qualifying Jurisdictions and, upon completion of the distribution of the Offered Shares, provide to the Corporation and to the Securities Commissions notice to that effect, if required by Applicable Securities Laws.

24. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

25. Severance

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

26. Time of the Essence

Time shall be of the essence of this Agreement.

27. Further Assurances

Each party to this Agreement covenants and agrees that from time to time, it will, at the request of the requesting party, execute and deliver all such documents and do all such other acts and things as any party hereto, acting reasonably, may from time to time request be executed or done in order to better evidence or perfect or effectuate any provision of this Agreement or of any agreement or other document executed pursuant to this Agreement or any of the respective obligations intended to be created hereby or thereby.

28. Counterpart Execution

This Agreement may be executed in one or more counterparts each of which so executed shall constitute an original and all of which together shall constitute one and the same agreement. The parties hereto shall be entitled to rely on delivery of an electronic copy of this executed Agreement and such electronic copy shall be legally effective to create a valid and binding agreement.

29. Entire Agreement

It is understood that the terms and conditions of this Agreement supersede any previous verbal or written agreement between the Agent and the Corporation with respect to the issuance of securities by the Corporation including the letter agreement between the Corporation and the Agent dated March 24, 2011.

[The remainder of this page is intentionally left blank]

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

MANITOK ENERGY INC.

Per: "Massimo M. Geremia"

INTEGRAL WEALTH SECURITIES LIMITED

Per: "David J. Sewell"

SCHEDULE "A"

1. For the purposes of this Schedule "A", capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Agreement to which this Schedule is annexed and the following terms shall have the meanings indicated:
 - (a) **"Directed Selling Efforts"** means "directed selling efforts" as defined in Rule 902 (c) of Regulation S and, without limiting the foregoing, but for greater clarity, it means, subject to the exclusions from the definition of directed selling efforts contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the Offered Shares, and includes the placement of any advertisement in a publication with a general circulation in the United States that refers to the offering of the Offered Shares;
 - (b) **"FINRA"** means the Financial Industry Regulatory Authority, Inc.;
 - (c) **"Foreign Issuer"** means a "foreign issuer" as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule "A", it means any issuer that is (a) the government of any country, or of any political subdivision of a country, other than the United States; or (b) a corporation or other organization incorporated or organized under the laws of any country other than the United States, except an issuer meeting the following conditions as of the last business day of its most recently completed second fiscal quarter: (1) more than 50 percent of the outstanding voting securities of such issuer are directly or indirectly owned of record by residents of the United States; and (2) any of the following: (i) the majority of the executive officers or directors are United States citizens or residents, (ii) more than 50 percent of the assets of the issuer are located in the United States, or (iii) the business of the issuer is administered principally in the United States;
 - (d) **"General Solicitation"** or **"General Advertising"** means "general solicitation" or "general advertising," as used in Rule 502(c) under the U.S. Securities Act, including, but not limited to, advertisements, articles, notices or other communications published in any newspaper, magazine or similar media, or disseminated over the Internet or broadcast over radio or television, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising; and
 - (e) **"Substantial U.S. Market Interest"** means "substantial U.S. market interest" as defined in Regulation S.
2. The Agent, through its U.S. Affiliates, directly may offer the Offered Shares within the United States to Accredited Investors to whom the Offered Shares shall be sold directly by the Corporation, on the terms and subject to the conditions of this Schedule "A". In connection therewith, the Corporation represents, warrants and covenants that:
 - (a) the Corporation is a Foreign Issuer and reasonably believes there is no Substantial U.S. Market Interest with respect to the Offered Shares or the Corporation's Common Shares;
 - (b) none of the Corporation, its affiliates or any person acting on their behalf (other than the Agent, U.S. Affiliates, any members of the Selling Dealer Group and any person acting on their behalf, as to whom the Corporation makes no representation, warranty or covenant), has engaged or will engage in any Directed Selling Efforts;

- (c) the Corporation is not, and following the application of the proceeds of the sale of the Offered Shares in the manner described in the U.S. Placement Memorandum and the Prospectus will not be, an "investment company" registered or required to be registered under the United States Investment Company Act of 1940, as amended;
- (d) none of the Corporation, its affiliates or any person acting on their behalf (other than the Agent, U.S. Affiliates, any members of the Selling Dealer Group and any person acting on their behalf, as to whom the Corporation makes no representation, warranty or covenant), has engaged or will engage in any form of General Solicitation or General Advertising or in any conduct involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act in connection with any offer or sale of the Offered Shares in the United States;
- (e) none of the Corporation, its affiliates or any person acting on their behalf (other than the Agent, U.S. Affiliates, any members of the Selling Dealer Group and any person acting on their behalf as to whom the Corporation makes no representation, warranty or covenant), have taken, or will take, any action that would cause the exemptions from registration provided by Rule 506 of Regulation D or the exclusion from registration provided by Rule 903 of Regulation S, to be unavailable for the offer or sale of the Offered Shares pursuant to this Agreement;
- (f) the Corporation will, within prescribed time periods, prepare and file any forms or notices required under the U.S. Securities Act or applicable state securities laws;
- (g) in connection with offers and sales of Offered Shares made outside the United States, the Corporation, its respective affiliates and any person acting on their behalf (other than the Agent, U.S. Affiliates, any members of the Selling Dealer Group and any person acting on their behalf, as to whom the Corporation makes no representation, warranty or covenant) have complied and will comply with the requirements for an "offshore transaction", as such term is defined in Regulation S;
- (h) none of the Corporation or any of its predecessors or affiliates have been subject to any order, judgment, or decree of any court of competent jurisdiction temporarily, preliminary or permanently enjoining such person for failure to comply with Rule 503 under Regulation D;
- (i) none of the Corporation, its affiliates or any person acting on their behalf (i) has offered or sold securities within the six months prior to the commencement of the offering of the Offered Shares or (ii) will offer or sell securities between the date hereof and six months after the completion of the offering of the Offered Shares, in a manner that would be integrated with the offer and sale of the Offered Shares within the meaning of Rule 502(a) of Regulation D and would cause the exemptions afforded by Rule 506 of Regulation D to be unavailable for the offer and sale of the Offered Shares pursuant to this Agreement;
- (j) none of the Corporation, its affiliates, or any person acting on their behalf (other than the Agent, the U.S. Affiliates, any members of the Selling Firms and any person acting on their behalf as to whom the Corporation makes no representation, warranty or covenant) has taken or will take any action that would constitute a violation of Regulation M under the U.S. Exchange Act in connection with the offer or sale of the Offered Shares;

- (k) none of the Corporation or any of its predecessors has had its registration under the U.S. Exchange Act of a class of its securities revoked by the SEC pursuant to Section 12(j) of the U.S. Exchange Act or any rules or regulations promulgated thereunder;
 - (l) if the Corporation or a purchaser in the United States determines that the Corporation is a "passive foreign investment company" within the meaning of Section 1297(a) of the United States Internal Revenue Code of 1986, as amended, during any calendar year following the purchase of the Offered Shares by the purchaser, the Corporation shall provide to such purchaser, upon written request, all information that would be required for income tax reporting purposes to permit a United States securityholder to make the election to treat the Corporation as a "qualified electing fund" for the purposes of such Code.
3. The Agent acknowledges that the Offered Shares have not been and will not be registered under the U.S. Securities Act or applicable state securities laws and may be offered and sold only in transactions exempt from or not subject to the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Agent represents, warrants and covenants, and will cause its U.S. Affiliate to comply with such representations, warranties and covenants, that:
- (a) it has not offered and will not offer (i) any Offered Shares constituting part of its allotment within the United States, except to Accredited Investors as agent for the Corporation through its U.S. Affiliate in accordance with the exemption from the registration requirement of the U.S. Securities Act provided by Section 4(2) of the U.S. Securities Act and Rule 506 of Regulation D thereunder, as provided in this Schedule "A", and in each case, in compliance with an exemption from registration or qualification requirements of all applicable state securities laws; or (ii) any Offered Shares outside of the United States, except in "offshore transactions," as such term is defined in Regulation S, in accordance with Rule 903 of Regulation S. Accordingly, none of it, its affiliates or any person acting on their behalf has engaged or will engage in: (i) any offer to sell or any solicitation of an offer to buy, any Offered Shares to any person in the United States, (ii) any sale of Offered Shares to any purchaser unless, at the time the buy order was or will have been originated, the purchaser was outside the United States, or such Agent, affiliate or person acting on behalf of either reasonably believed that such purchaser was outside the United States, or (iii) any Directed Selling Efforts;
 - (b) none of it, its affiliates or any person acting on their behalf has engaged or will engage in any form of General Solicitation or General Advertising or in any conduct involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act in connection with its offers and sales of the Offered Shares in the United States;
 - (c) all offers of the Offered Shares in the United States made by it have been and shall be effected through its U.S. Affiliate which shall be duly registered with the SEC under Section 15(b) of the U.S. Exchange Act, registered in all applicable states pursuant to such states' broker-dealer laws (unless exempted from the respective state's broker-dealer registration requirements) and a member of, and in good standing with, FINRA, in each case, on the date hereof and at the date of all offers and sales of Offered Shares in the United States, and all such offers shall be and have been made by the U.S. Affiliate in compliance with all applicable United States federal and state laws and regulations governing the registration and conduct of broker-dealers;

- (d) it has not used and will not use any written material other than the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum and the documents attached thereto relating to the offering of Offered Shares in the United States;
- (e) each person offered Offered Shares in the United States by the Agent, through its U.S. Affiliate, has been or will be provided with a copy of the Preliminary U.S. Placement Memorandum or the U.S. Placement Memorandum, and each such person purchasing Offered Shares in the United States and each such person purchasing Offered Shares that was offered Offered Shares in the United States shall be provided with the U.S. Placement Memorandum at or prior to the time of purchase by such person of any Offered Shares;
- (f) any offer or solicitation of an offer to buy Offered Shares that has been made or will be made in the United States by the Agent, through its U.S. Affiliate, was or will be made only to a person it reasonably believed immediately prior to such offer or solicitation, based upon a pre-existing business relationship, to be an Accredited Investor who is acquiring the Offered Shares (A) for its own account or (B) for the account of an Accredited Investor with respect to which it exercises sole investment discretion, and, in each case, in compliance with, or pursuant to an exemption from, the registration or qualification requirements of all applicable state securities laws;
- (g) prior to any sale of Offered Shares to a person in the United States or a person offered Offered Shares in the United States, the Agent or its U.S. Affiliate shall have reasonable grounds to believe and shall believe that each such person purchasing Offered Shares directly from the Corporation is an Accredited Investor;
- (h) prior to completion of any sale of Offered Shares to an Accredited Investor in the United States or to any such person that was offered Offered Shares in the United States, it will cause each such purchaser to sign and deliver a U.S. purchaser letter in the form attached as Appendix II to the U.S. Placement Memorandum;
- (i) none of it, any of its affiliates or any person acting on any of their behalf has taken or will take any action that would constitute a violation of Regulation M under the U.S. Exchange Act in connection with the offer or sale of the Offered Shares; and
- (j) it will inform each purchaser that the Offered Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state in the United States and that the Offered Shares are being offered and sold in the United States in reliance upon exemptions from the registration provision of Section 5 of the U.S. Securities Act provided by Section 4(2) of the U.S. Securities Act and Rule 506 of Regulation D thereunder and in reliance upon exemptions from applicable state securities laws.

4. The Agent agrees that:

- (a) it will provide the Corporation and Valiant Trust Company of Calgary, at least one business day prior to the Closing Date, with a list of all purchasers of the Offered Shares in the United States and all purchasers that were offered Offered Shares in the United States;

- (b) at the Closing Time, it, together with its U.S. Affiliate (if any) that has offered or sold Offered Shares in the United States, will provide a certificate, substantially in the form of Exhibit A to this Schedule "A", relating to the manner of the offer and sale of the Offered Shares in the United States or will be deemed to have represented that neither it nor its U.S. Affiliate (if any) offered or sold Offered Shares in the United States; and
- (c) the Agent will require each member of the Selling Dealer Group to acknowledge in writing, for the benefit of the Corporation, its agreement to be bound by the provisions of this Schedule "A" in connection with all offers and sales of the Offered Shares in the United States. The Agent has not and will not make any other contractual arrangement for the distribution of the Offered Shares in the United States without the prior written consent of the Corporation.

EXHIBIT A
AGENT'S CERTIFICATE

In connection with the private placement in the United States of the Offered Shares of Manitok Energy Inc. (the "**Corporation**") pursuant to the Agency Agreement dated effective March 24, 2011 among the Corporation and the Agent named therein (the "**Agency Agreement**"), the undersigned does hereby certify in favour of the Corporation as follows:

- I. it or its U.S. Affiliate, as applicable, is on the date hereof and was and will be on the date of each offer of Offered Shares made by it or its U.S. Affiliate, as applicable, and each sale of Offered Shares in the United States by it or its U.S. Affiliate, as applicable, duly registered as a broker or dealer with the SEC under the U.S. Exchange Act and in each applicable state pursuant to such state's broker-dealer laws (unless exempted from the respective state's broker-dealer registration requirements), and is and at all relevant times was a member of and in good standing with FINRA, and all offers and subsequent sales by the Corporation of Offered Shares in the United States have been effected by it or its U.S. Affiliate, as applicable, in accordance with all U.S. federal and state broker-dealer requirements and in compliance with, or pursuant to an exemption from, the registration or qualification requirements of all applicable state securities laws;
- II. all the Offered Shares offered by the U.S. Affiliate in the United States were sold by the Corporation to "accredited investors" within the meaning of Rule 501(a) of Regulations D ("Accredited Investors") under the United States Securities Act of 1933, as amended (the "U.S. Securities Act");
- III. each person offered Offered Shares by us was provided with a copy of the U.S. Placement Memorandum, including the Prospectus, for the offering of the Offered Shares in the United States and no other written material has been or will be used except for the Preliminary U.S. Placement Memorandum;
- IV. immediately prior to our transmitting a Preliminary U.S. Placement Memorandum or U.S. Placement Memorandum to such offerees, we had reasonable grounds to believe and did believe that each offeree was, and continue to believe that each such offeree purchasing Offered Shares who is in the United States or who was offered Offered Shares in the United States, is an Accredited Investor;
- V. no form of General Solicitation or General Advertising was used by us with respect to offers or sales of the Offered Shares, nor have we solicited offers for, offered to sell or sold the Offered Shares by any means involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act;
- VI. prior to any sale by the Corporation of Offered Shares to an Accredited Investor in the United States or to such person who was offered Offered Shares in the United States by us, we caused such purchaser to sign a U.S. purchaser letter in the form attached as Appendix II to the U.S. Placement Memorandum;
- VII. neither we nor any member of the Selling Dealer Group nor any of our or their affiliates, have taken or will take any action that would constitute a violation of Regulation M under the U.S. Exchange Act in connection with the offer or sale of the Offered Shares;
- VIII. we have not made and will not make any Directed Selling Efforts in the United States with respect to the Offered Shares; and

IX. the offer and sale of the Offered Shares in the United States has been conducted by us in accordance with the terms of the Agency Agreement, including Schedule "A" attached thereto.

Unless otherwise defined, capitalized terms used in this certificate have the meanings given to them in the Agency Agreement, including Schedule "A" attached thereto.

Dated _____, 2011

INTEGRAL WEALTH SECURITIES LIMITED

By: _____

Name:

Title:

[U.S. BROKER-DEALER AFFILIATE]

By: _____

Name:

Title: