

AGENCY AGREEMENT

Effective July 13, 2010

Twoco Petroleum Ltd.
1050, 1122 - 4th Street S.W.
Calgary, AB T2R 1M1

Attention: Mr. Wayne A. Malinowski, President and Chief Executive Officer

Dear Sir:

Re: Offering of up to 8,695,650 Common Share Units and up to 16,000,000 Flow-Through Units

Macquarie Private Wealth Inc. (“**Macquarie**” or the “**Agent**”), understands that Twoco Petroleum Ltd. (the “**Corporation**”) proposes to issue and sell an aggregate of up to 8,695,650 common share units of the Corporation (the “**Common Share Units**”) at a price of \$0.23 per Common Share Unit and up to 16,000,000 common share units of the Corporation (the “**Flow-Through Units**”) at a price of \$0.25 per Flow-Through Unit and that the Corporation will incur and thereafter renounce Qualifying Expenditures (as hereinafter defined) to the original purchasers of such Flow-Through Units in an amount equal to the Commitment Amount (as hereinafter defined). Each Common Share Unit shall consist of one common share in the capital of the Corporation (each a “**Common Share**”) and one whole Common Share purchase warrant, with each whole warrant entitling the holder thereof to purchase one Common Share at an exercise price of \$0.30 per a period of twenty-four (24) months from the date of issuance (each a “**Warrant**”). Each Flow-Through Unit shall consist of one common share in the capital of the Corporation issued on a flow-through basis pursuant to the *Income Tax Act* (Canada) (each a “**FT Common Share**”) and one-half of one Warrant, with each whole Warrant entitling the holder thereof to purchase one Common Share at an exercise price of \$0.30 per Common Share for a period of twenty-four (24) months from the date of issuance.

Subject to the terms and conditions hereof, the Agent hereby agrees to act as, and the Corporation by this Agreement appoints the Agent as, the sole and exclusive agent of the Corporation to offer the Common Share Units and the Flow-Through Units for sale on a reasonable commercial efforts basis on the Closing Date (as hereinafter defined), at a price of \$0.23 per Common Share Unit and \$0.25 per Flow-Through Unit, being an aggregate purchase price of up to \$6,000,000 (the “**Offering**”). The Corporation hereby agrees to issue and sell, subject to the provisions hereof, on the Closing Date, such Common Share Units and Flow-Through Units. The Offering is subject to receipt of minimum aggregate gross proceeds of \$3,000,000 (the “**Minimum Offering**”).

Macquarie shall be entitled (but not obligated) in connection with the offering and sale of the Offered Units (as hereinafter defined) to retain as sub-agents other registered securities dealers and may receive subscriptions for Offered Units (as hereinafter defined) from subscribers from other registered dealers. The fee payable to any such sub-agent shall be for the account of Macquarie and shall not exceed the fee payable to Macquarie hereunder. Macquarie and the sub-agents may, but shall not be obligated to, purchase Offered Units as principals for their own account.

1. Definitions

In this Agreement:

- (a) “**ABCA**” means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;
- (b) “**Agent’s counsel**” means Davis LLP or such other legal counsel as Macquarie, with the consent of the Corporation, may appoint;
- (c) “**Agent’s Options**” means the non-transferrable options to be granted by the Corporation to the Agent and its designated sub-agents, if any, to acquire that number Agent’s Option Units equal to 6% of the number of Offered Units sold under the Offering (except for sales of Offered Units issued pursuant to the President’s List (as hereinafter defined) for which the Agent will receive Agent’s Options equal to 3.5% of the number of such Offered Units) exercisable at \$0.23 per Agent’s Option for a period of 24 months from the date of issuance;
- (d) “**Agent’s Option Units**” means a unit comprised of one Common Share (an “**Agent Share**”) and one non-transferable Common Share purchase warrant (an “**Agent’s Warrant**”) exercisable into a Common Share (a “**Agent’s Warrant Share**”) at a price of \$0.30 per Agent’s Warrant Share for a period of 24 months from the date of issuance of the Agent’s Options;
- (e) “**Agreement**” means this agreement, including any schedules or exhibits attached hereto, and not any particular article or section or other portion except as may be specified, and words such as “hereof”, “hereto”, “herein” and “hereby” refer to this Agreement as the context requires;
- (f) “**AIF**” means the annual information form of the Corporation dated April 27, 2010;
- (g) “**AJM**” means AJM Petroleum Consultants, independent petroleum engineers of Calgary, Alberta;
- (h) “**AJM Report**” means the independent engineering evaluation of the crude oil, natural gas liquids and natural gas reserves of the Corporation prepared by AJM dated March 26, 2010 and effective December 31, 2009;
- (i) “**ASC**” means the Alberta Securities Commission;
- (j) “**ATB**” means the Alberta Treasury Branches;
- (k) “**Business Day**” means a day which is not Saturday or Sunday or a legal holiday in the City of Calgary, Alberta;
- (l) “**Canadian Exploration Expense(s)**” or “**CEE**” means Canadian exploration expense described in paragraphs (a) or (d) of the definition of “Canadian exploration expense” in subsection 66.1(6) of the Tax Act or that would be described in paragraph (h) of such definition if the reference therein to “paragraphs (a) to (d) and (f) to (g.1)” were a reference to “paragraphs (a) and (d)”, excluding amounts which are prescribed to constitute “Canadian exploration and development overhead expense” under the Tax Act, the amount of any assistance described in paragraph 66(12.6)(a) of the Tax Act and any expense described in paragraph 66(12.6)(b.1) of the Tax Act;

- (m) **“Canadian Securities Laws”** means all applicable Canadian securities laws, rules, regulations, notices, instruments, blanket orders and policies in the Qualifying Provinces;
- (n) **“Closing Date”** means August 27, 2010 or such other date as the parties hereto may agree, but in any event, not later than September 15, 2010;
- (o) **“Closing Time”** means 9 a.m. (Calgary time) or such other time, on the Closing Date, as the Agent and the Corporation may agree;
- (p) **“Commitment Letter”** means the amending agreement between the Corporation and ATB dated July 20, 2010, accepted by the Corporation on July 29, 2010;
- (q) **“Commitment Amount”** means the amount equal to \$0.2495 multiplied by the number of Flow-Through Units subscribed and paid for pursuant to the Flow-Through Subscription Agreements;
- (r) **“Common Shares”** means the common shares in the capital of the Corporation and, where appropriate in the context, includes the Common Shares underlying the Offered Units and Agent’s Option Units and, as applicable, the Warrant Shares and the Agent’s Warrant Shares;
- (s) **“Corporation”** means Twoco Petroleum Ltd., a corporation incorporated pursuant to the ABCA;
- (t) **“Corporation’s auditors”** means Deloitte & Touche LLP, chartered accountants, Calgary, Alberta;
- (u) **“Corporation’s counsel”** means Borden Ladner Gervais LLP or such other legal counsel as the Corporation, with the consent of the Agent, may appoint;
- (v) **“Debentures”** means the aggregate \$8,300,000 principal amount 17% unsecured debentures of the Corporation dated March 31, 2009 due March 31, 2011;
- (w) **“distribution”** means “distribution” or “distribution to the public”, as the case may be, as defined under the Canadian Securities Laws and “distribute” has a corresponding meaning;
- (x) **“Documents”** means, collectively, the documents incorporated by reference in the Prospectuses and any Supplementary Material including, without limitation:
 - (i) the AIF;
 - (ii) the Financial Statements;
 - (iii) the Information Circular; and
 - (iv) the material change reports of the Corporation subsequent to December 31, 2009;
- (y) **“Due Diligence Session”** shall have the meaning set forth in subsection 3(d) hereof;
- (z) **“Environmental Laws”** means applicable federal, provincial, state, municipal or local laws, regulations, orders, government decrees or ordinances with respect to environmental, health or safety matters;
- (aa) **“Exchange”** means the TSX Venture Exchange;

- (bb) “**Expenditure Period**” means the period commencing on the date of acceptance of the Flow-Through Subscription Agreements and ending on the earlier of:
 - (i) the date on which the Commitment Amount has been fully expended in accordance with the terms of the Flow-Through Subscription Agreements; and
 - (ii) December 31, 2011;
- (cc) “**Final Passport System Decision Document**” means a receipt for the Prospectus issued in accordance with the Passport System;
- (dd) “**Financial Statements**” means, collectively: (i) the audited financial statements of the Corporation as at December 31, 2008 and for the year then ended and as at December 31, 2009 and for the year then ended, together with the notes thereto and the auditor’s report thereon and management’s discussion and analysis of the Corporation’s financial condition and results of operations related to each of the years then ended; and (ii) the unaudited interim financial statements of the Corporation as at and for the three months ended March 31, 2010, together with the notes thereto and management’s discussion and analysis of the Corporation’s financial condition and results of operations related thereto;
- (ee) “**Flow-Through Proceeds**” means the aggregate gross proceeds from the sale of the Flow-Through Units;
- (ff) “**Flow-Through Subscription Agreements**” means, collectively, the agreements to be entered into between the Corporation and the Agent or any participants in the Selling Dealer Group for and on behalf of and as agents for purchasers of Flow-Through Units on or prior to the Closing Date, setting out the contractual relationship between the Corporation and the purchasers of Flow-Through Units, in form and substance satisfactory to the Corporation and Macquarie and substantially as set out as Schedule “A” to this Agreement or such other form agreed to by the Corporation and Macquarie;
- (gg) “**Information Circular**” means the management information circular of the Corporation dated May 8, 2009 in respect of the annual and special meeting of the shareholders of the Corporation held on June 4, 2009;
- (hh) “**insider**” shall have the meaning ascribed thereto under the Canadian Securities Laws;
- (ii) “**material change**”, “**material fact**” and “**misrepresentation**” shall have the meanings ascribed thereto under the Canadian Securities Laws;
- (jj) “**MI 11-102**” means Multilateral Instrument 11-102 - *Passport System* of the Canadian Securities Administrators, as amended or replaced;
- (kk) “**NI 44-101**” means National Instrument 44-101 - *Short Form Prospectus Distributions* of the Canadian Securities Administrators, as amended or replaced;
- (ll) “**NP 11-202**” means National Policy 11-202 - *Process for Prospectus Reviews in Multiple Jurisdictions* of the Canadian Securities Administrators, as amended or replaced;
- (mm) “**Offered Units**” means, collectively, the Common Share Units and the Flow-Through Units;

- (nn) **“Passport System”** means the system and procedures for the filing of prospectuses and related materials in one or more Canadian jurisdictions pursuant to MI 11-102 and NP 11-202;
- (oo) **“Preliminary Passport System Decision Document”** means a receipt for the Preliminary Prospectus issued in accordance with the Passport System;
- (pp) **“Preliminary Prospectus”** means the preliminary short form prospectus of the Corporation to be dated July 29, 2010 and any amendments thereto, in respect of the distribution of the Offered Units, including the documents incorporated by reference therein;
- (qq) **“President’s List”** has the meaning ascribed thereto in Section 2 of this Agreement;
- (rr) **“Prospectus”** means the (final) short form prospectus of the Corporation and any amendments thereto in respect of the distribution of the Offered Units including the documents incorporated by reference therein;
- (ss) **“Prospectuses”** means, collectively, the Preliminary Prospectus and the Prospectus;
- (tt) **“Public Record”** means all information filed by or on behalf of the Corporation or any predecessor entity with the Securities Commissions, including without limitation, the Documents, the Prospectuses, any Supplementary Material and any other information filed with any Securities Commission in compliance, or intended compliance, with any Canadian Securities Laws, including, without limitation, the Financial Statements;
- (uu) **“Qualifying Expenditures”** means expenses which qualify as CEE at the date they are incurred by the Corporation;
- (vv) **“Qualifying Provinces”** means British Columbia, Alberta and Ontario and such other jurisdiction in Canada as the Corporation and Macquarie may agree;
- (ww) **“Responses”** means the written responses delivered on behalf of the Corporation by certain officers of the Corporation before the Due Diligence Session;
- (xx) **“Securities Commissions”** means the securities commissions or similar regulatory authorities in the Qualifying Provinces;
- (yy) **“Selling Dealer Group”** means the dealers and brokers other than Macquarie who participate as sub-agents, in the offer and sale of the Offered Units pursuant to this Agreement;
- (zz) **“Subscriber”** means a person who subscribes for Flow-Through Units;
- (aaa) **“Subsidiary”** means a subsidiary in respect of the Corporation within the meaning of the ABCA, if applicable;
- (bbb) **“Supplementary Material”** means, collectively, any amendment to the Preliminary Prospectus or Prospectus, any amended or supplemented 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 the Canadian Securities Laws;
- (ccc) **“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);

- (ddd) “**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder as amended from time to time;
- (eee) “**Trustee**” means CIBC Mellon Trust Company in its capacity as trustee under the Warrant Indenture;
- (fff) “**Warrants**” has the meaning ascribed thereto on the first page of this Agreement;
- (ggg) “**Warrant Certificates**” means the certificates evidencing the Warrants substantially in the form set forth in the Warrant Indenture.
- (hhh) “**Warrant Indenture**” means the warrant indenture to be dated as of the Closing Date between the Corporation and the Trustee, governing the terms and conditions of the Warrants; and
- (iii) “**Warrant Shares**” means the Common Shares issuable upon the due exercise of the Warrants.

In addition, unless otherwise defined herein capitalized terms shall have the meanings ascribed thereto in the Prospectuses.

2. Agent’s Fee

In consideration for its services hereunder, the Corporation agrees to pay to Macquarie at the Closing Time, a fee equal to the amount of: (i) a corporate finance fee of \$30,000 (plus GST of \$1,500), of which, a non-refundable \$15,000 of such corporate finance fee (plus GST of \$750) has been previously paid; and (ii) a commission (payable in cash or Common Shares at a price of \$0.23 per Common Share (the “**Agent’s Fee Shares**”) at the sole option of the Agent) equal to 7% of the aggregate gross proceeds raised from the sale of Offered Units under the Offering (except with respect to proceeds from the sale of Offered Units to certain purchasers introduced by the Corporation directly (the “**President’s List**”) for which the Agent will be entitled to a fee equal to 3.5% of such proceeds).

The Corporation will also grant to the Agent at the Time of Closing, the Agent’s Option on the terms and conditions contained in the form of option agreement in Schedule “B” annexed hereto (the “**Agent’s Option Agreement**”). The Agent’s Option shall be qualified under and be distributed pursuant to the Prospectus.

The foregoing fees (collectively, the “**Agent’s Fee**”) may, at the sole option of Macquarie, be deducted from the aggregate gross proceeds of the sale of the Common Share Units and withheld for the account of Macquarie. For greater certainty, the services provided by Macquarie 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 Fee, the Corporation agrees to pay the amount of GST forthwith upon the request of Macquarie. The Corporation also agrees to pay Macquarie’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 Units, the Agent's Options and the Agent's Fee Shares.
- (b) The Corporation shall elect and comply in all material respects with the Passport System and shall:
 - (i) not later than 5:00 p.m. (Calgary time) on July 29, 2010, have:
 - (A) prepared and filed the Preliminary Prospectus and other documents required under the Canadian Securities Laws with the Securities Commissions and designated the ASC as the principal regulator under the Passport System; and
 - (B) obtained from the ASC a Preliminary Passport System Decision Document, evidencing that a receipt for the Preliminary Prospectus has been issued in Alberta and Ontario and has been deemed to have been issued in each of the Qualifying Provinces other than Alberta and Ontario, (except that such document may be received on July 30, 2010 provided it is dated no later than July 29, 2010);
 - (ii) forthwith after any comments with respect to the Preliminary Prospectus have been received from the Securities Commissions but not later than August 13, 2010 (or such later date as may be agreed to in writing by the Corporation and the Agent), have:
 - (A) prepared and filed the Prospectus and other documents required under the Canadian Securities Laws with the Securities Commissions; and
 - (B) obtained from the ASC a Final Passport System Decision Document, evidencing that a receipt for the Prospectus has been issued in Alberta and Ontario and has been deemed to have been issued in each of the Qualifying Provinces other than Alberta and 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 Units to be offered and sold to the public in each of the Qualifying Provinces through the Agent or any other investment dealer or broker registered in the applicable Qualifying Province and the distribution of the Agent's Options and the Agent's Fee Shares; and

 - (iii) until the completion of the distribution of the Offered Units, promptly take all additional steps and proceedings that from time to time may be required under the Canadian Securities Laws in each Qualifying Province to continue to qualify the Offered Units, Agent's Options and Agent's Fee Shares for distribution or, in the event that the Offered Units or Agent's Options have, for any reason, ceased to so qualify, to again qualify the Offered Units for distribution.
- (c) Prior to the filing of the Prospectuses and, during the period of distribution of the Offered Units, Agent's Options and Agent's Fee 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 to approve the form of, such documents 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 Units, Agent's Options and Agent's Fee Shares, the Corporation shall allow the Agent to conduct all due diligence which they 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 senior management and shall use its commercially reasonable efforts to cause its auditors (including of any predecessor entity or business), independent reserves evaluators, legal counsel and other experts 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 such Due Diligence Session and the Corporation shall provide written responses to such questions and shall use its commercially reasonable efforts to have its auditors, independent reserves evaluators, legal counsel and other experts provide written responses to such questions in advance of the Due Diligence Session.
- (e) All subscription funds received from subscribers will be retained in trust by the Agent until the Minimum Offering is obtained. If the Minimum Offering has been obtained, the sale of the Offered Units shall be completed in accordance with section 12.
- (f) If the Closing has not occurred prior to September 15, 2010, the Agent will promptly return the proceeds of subscriptions received, if any, to the proposed subscribers without interest or deduction unless such proposed subscribers have otherwise instructed the Agent.
- (g) 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 Canadian Securities Laws to qualify the Offered Units for distribution to the public in the Qualifying Provinces and to qualify the distribution of the Agent's Options and Agent's Fee Shares for sale internationally 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 each of the Preliminary Prospectus and the Prospectus:
 - (i) copies of the Preliminary Prospectus and the Prospectus, each in the English language only, signed as required by the Canadian Securities Laws; and
 - (ii) upon request from the Agent, copies of any documents incorporated by reference therein which have not previously been delivered to the Agent;
- (b) as soon as they are available, copies of any Supplementary Material, in the English language only, signed as required by the Canadian Securities Laws and including, in each case, copies of

any documents incorporated by reference therein which have not been previously delivered to the Agent; and

- (c) 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 appearing in the Prospectus and the documents incorporated therein by reference with indicated amounts in the financial statements or accounting records of the Corporation or other applicable entity or business, as applicable, and have found such information 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 the foregoing 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 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 (b) shall also constitute the Corporation’s consent to the use by Macquarie and its sub-agents, if any, of the Documents, the Prospectuses and any Supplementary Material in connection with the offering and sale of the Offered Units.

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 Preliminary Passport System Decision Document or the Final Passport System Decision Document, as the case may be (or such other date or time as the Agent and the Corporation may agree), 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 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 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 any Supplementary Material required to be delivered to purchasers or prospective purchasers of the Offered Units.

6. Material Change and Certain Other Covenants

- (a) During the period of distribution of the Offered Units, 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 and its Subsidiaries (taken as a whole);
- (ii) any change in any material fact contained or referred to in the Preliminary Prospectus, the Prospectus 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 or any Supplementary Material untrue, false or misleading in any material respect;
 - (B) result in a misrepresentation in the Preliminary Prospectus, the Prospectus or any Supplementary Material; or
 - (C) result in the Preliminary Prospectus or any Supplementary Material not complying in any material respect with the Canadian 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.

- (b) During the period of distribution of the Offered Units, the Corporation will promptly inform the Agent in writing of the full particulars of:
 - (i) any request of any Securities Commission or similar regulatory authority for any amendment to, or to suspend or prevent the use of, the Preliminary Prospectus, the Prospectus or any other part of the Public Record or for any additional information;
 - (ii) the issuance by any Securities Commission 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 or similar regulatory authority, the Exchange or any other competent authority relating to the Preliminary Prospectus, the Prospectus or any other part of the Public Record or the distribution of the Offered Units.
- (c) The Corporation will promptly comply to the reasonable satisfaction of the Agent and the Agent's counsel with Canadian Securities Laws with respect to any material change, change, occurrence or event of the nature referred to in subsections 6(a) or 6(b) above and the Corporation will prepare and file promptly at the Agent's reasonable request any amendment to the Prospectus or Supplementary Material as may be required under Canadian Securities Laws; provided that the Corporation shall have allowed the Agent and the Agent's counsel to participate fully in the preparation of and approve any Supplementary Material, to have reviewed any other documents incorporated by reference therein and 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 comfort letters with respect to each such Supplementary Material substantially similar to those referred to in section 4 above.

- (d) During the period of distribution of the Offered Units, the Corporation will promptly provide to the Agent, for review, on a confidential basis, by the Agent and the Agent's counsel, prior to filing or issuance:
 - (i) any financial statement of the Corporation or management's discussion and analysis of the Corporation ;
 - (ii) any proposed document, including without limitation any amendment to the AIF, new annual information form, material change report, interim report, information circular or business acquisition report 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 or the Prospectus.
- (e) The Corporation will use its commercially reasonable best efforts to maintain its status as a "reporting issuer" (or the equivalent thereof) not in default of the requirements of the Canadian Securities Laws of at least one of the Qualifying Provinces which have such a concept to the date that is at least 24 months following the Closing Date;
- (f) The Corporation will use its commercially reasonable best efforts to maintain the listing of the Common Shares on the Exchange or such other recognized stock exchange or quotation system as the Agent may approve, acting reasonably, for a period of at least 24 months following the Closing Date;
- (g) The Corporation will duly execute and deliver the Warrant Indenture and the Warrant Certificates at the Closing Time and comply with and satisfy all terms, conditions and covenants therein contained to be complied with or satisfied by the Corporation.

7. Representations, Warranties and Covenants of the Corporation

- (a) Each delivery of the Preliminary Prospectus, the Prospectus and any Supplementary Material pursuant to section 4 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 the Agent in writing and relating solely to the Agent) contained in the Preliminary Prospectus, the Prospectus or any Supplementary Material, as applicable, including, without limitation, the documents incorporated 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 Units as required by Canadian Securities Laws;
- (ii) the Preliminary Prospectus, the Prospectus, and any Supplementary Material, as applicable, including, without limitation, the documents incorporated by reference therein, as the case may be, complies in all material respects with the Canadian Securities Laws, including without limitation NI 44-101; and
 - (iii) except as is disclosed in the Public Record, there has been no intervening material change (adverse material change until filing of the Prospectus) (actual, proposed or prospective, whether financial or otherwise), from the date of the Preliminary Prospectus, the Prospectus 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 the Agent is relying upon such representations and warranties in entering into this Agreement, that:
- (i) the Corporation has been duly incorporated, amalgamated, formed or continued, as the case may be, and is validly existing under the laws of the jurisdiction of its incorporation, amalgamation, formation or continuance, as the case may be, and has all requisite corporate or partnership, as the case may be, capacity, power and authority to carry on its business, as now conducted and as presently proposed to be conducted by it, and to own its properties and assets;
 - (ii) the Corporation is qualified to carry on business under the laws of each jurisdiction in which it carries on a material portion of its business;
 - (iii) 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 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 and holds all licenses, 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 (except where the failure to so conduct its business or to hold such licences, registrations or qualifications would not, individually or in the aggregate, have a material adverse effect on the business, operations, revenues, capital, condition (financial or otherwise), liabilities (absolute, accrued, contingent or otherwise) or results of operations of the Corporation or its properties or assets), all such licenses, registrations or qualifications are valid and existing and in good standing (except where such a lack of good standing would not, individually or in the aggregate, have a material adverse effect on the business, operations, capital or condition (financial or otherwise) of the Corporation or its properties or assets) and none of such licenses, 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 does not have any Subsidiaries and the Corporation is not “affiliated” with, nor is it a “holding corporation” of, any other body corporate (within the meaning of those terms in the ABCA), nor is it a partner of any partnerships (other than participating in industry partnerships in the ordinary course of business) or limited partnerships; the Corporation has no material shareholdings in any other corporation or business organization;
- (v) the minute books for the Corporation contain full, true and correct copies of the constating documents of the Corporation, as applicable, and contain copies of all minutes of all meetings and all consent resolutions of the directors, committees of directors, shareholders and partners, as applicable, of the Corporation, and all such meetings were duly called and properly held and all consent resolutions were properly adopted;
- (vi) except in the ordinary course of business, the Corporation is not a party to or bound by or affected by any commitment, agreement or document containing any covenant which expressly limits the freedom of the Corporation to compete in any line of business, transfer or move any of its assets or operations or which materially or adversely affects the business practices, operations or condition of Corporation;
- (vii) all continuous and timely disclosure documents, reports, forms, filings and fees required to be made and paid by the Corporation pursuant to Canadian Securities Laws have been made and paid in accordance with Canadian Securities Laws;
- (viii) the information and statements set forth in the Public Record were true, correct in all material respects, and complete and did not contain any misrepresentation, as of the date of such information or statement, and were prepared in accordance with and complied with Canadian Securities Laws, the Corporation has not filed any confidential material change reports still maintained on a confidential basis and no circumstances exist under which the Corporation has incurred liability under secondary market disclosure provisions of Canadian Securities Laws;
- (ix) the authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares, of which, as at the date hereof, 14,941,406 Common Shares and no preferred shares are issued and outstanding, each of which shares are issued as fully paid and non-assessable shares of the Corporation;
- (x) 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, warrant, option or right (whether or not on condition(s)) for the purchase or any other acquisition of any unissued securities of the Corporation except (i) in connection with the Offering; (ii) as disclosed in the Public Record including \$8,300,000 aggregate principal amount of Debentures; (iii) options to purchase 136,000 Common Shares held by directors, officers, employees and consultants of the Corporation; and (iv) Common Share purchase warrants to purchase 4,150,000 Common Shares;

- (xi) except as disclosed in the Public Record, none of the directors, officers or employees of the Corporation, any person who owns, directly or indirectly, more than 10% of any class of securities of the Corporation, or any associate or affiliate of any of the foregoing, had or has any material interest, direct or indirect, in any material transaction or any proposed material transaction with the Corporation which, as the case may be, materially affects, is material to or will materially affect the Corporation;
- (xii) the Financial Statements fairly present, in all material respects and in accordance with generally accepted accounting principles in Canada, consistently applied, the financial position and condition, the results of the operations, cash flows and other information purported to be shown therein of the Corporation as at the dates thereof and for the periods then ended and reflect all assets, liabilities and obligations (absolute, accrued, contingent or otherwise) of the Corporation as at the dates thereof required to be disclosed in accordance with generally accepted accounting principles in Canada, and include all adjustments necessary for a fair presentation;
- (xiii) there has not been any reportable event (within the meaning of Section 4.11 of National Instrument 51-102 - *Continuous Disclosure Obligations* of the Canadian Securities Administrators) with the auditors of the Corporation;
- (xiv) there has not been any material change in the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation from the position set forth in the Financial Statements that has not otherwise been disclosed in the Documents and there has not been any adverse material change in the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation since December 31, 2009; and since that date there have been no material facts, transactions, events or occurrences which could 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;
- (xv) there are no actions, suits, proceedings or inquiries in existence or, to the knowledge of the Corporation, pending or 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 or agency 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 Units 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 herein or in the Flow-Through Subscription Agreements 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;
- (xvi) to the knowledge, information and belief of the Corporation, there are no material judgments against the Corporation which are unsatisfied, nor are there any consent decrees or injunctions to which the Corporation is subject;
- (xvii) the Corporation is not in default or breach of, and the execution and delivery of, and the performance of and compliance with the terms of this Agreement, the Commitment

Letter, the Agent's Option Agreement, the Warrant Indenture and the Flow-Through Subscription Agreements by the Corporation or any of the transactions contemplated hereby or thereby, does not and will not result in any breach of, or be in conflict with or constitute a default under, or 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 resolutions of the directors (or any committee thereof) or shareholders of the Corporation; (ii) any mortgage, note, indenture, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which it is bound; or (iii) any law, judgment, decree, order, statute, rule or regulation applicable to the Corporation or its properties or assets, 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 would impair the ability of the Corporation to consummate the transactions contemplated hereby or thereby or to duly observe and perform any of its covenants or obligations contained herein or in the Agent's Option Agreement, the Warrant Indenture or the Flow-Through Subscription Agreements;

- (xviii) other than as disclosed in the Public Record, there are no material contracts or agreements to which the Corporation is a party or by which it is bound and each of such contracts and agreements constitutes a legally valid and binding agreement of the Corporation enforceable in accordance with its respective terms (subject to laws relating to creditors' rights generally and except as rights to indemnity may be limited by applicable law) and, and to the knowledge of the Corporation, no party thereto is in default thereunder and no event has occurred which with notice or lapse of time or both would directly or indirectly constitute such a default. For the purposes of this subparagraph, 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 six (6) months, or is out of the ordinary course of business of the Corporation, shall be considered to be material;
- (xix) other than as disclosed in the Public Record, the Corporation is not, a party to any written 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;
- (xx) other than as disclosed in the Public Record or disclosed to the Agent's counsel neither the Corporation nor its Subsidiaries is currently a party to any Swaps;
- (xxi) except as set forth in the Commitment Letter, there is not in the constating documents or by-laws of the Corporation, or in any agreement, mortgage, note, debenture, indenture or other instrument or document to which the Corporation is a party, any restriction upon or impediment to the declaration of dividends by the directors of the Corporation or payment of dividends by the Corporation to the holders of the Common Shares;
- (xxii) no Securities Commission, other securities commission, the Exchange or any other similar regulatory authority has issued any order preventing or suspending trading of any securities of the Corporation, no such proceeding is, to the knowledge of the Corporation, pending, contemplated or threatened, and the Corporation is not in default of any material requirement of Canadian Securities Laws;

- (xxiii) the Corporation has full corporate capacity, power and authority to enter into this Agreement, the Commitment Letter, the Flow-Through Subscription Agreements, the Agent's Option Agreement and the Warrant Indenture and to perform its obligations set out herein and therein (including, without limitation, to create, issue and sell the Offered Units and to renounce to the Subscribers Qualifying Expenditures in an amount equal to the Commitment Amount), and this Agreement, the Commitment Letter, the Agent's Option Agreement, the Warrant Indenture and each of the Flow-Through Subscription Agreements, will be, on the Closing Date, duly authorized, executed and delivered by the Corporation and this Agreement, the Commitment Letter, the Agent's Option Agreement, the Warrant Indenture and the Flow-Through Subscription Agreements, will on the Closing Date (or the date of delivery, as applicable) be, legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their respective terms, subject to laws relating to creditors' rights generally and except as rights to indemnity may be limited by applicable law;
- (xxiv) each of the Corporation and its former Subsidiaries has duly and timely filed, in proper form, returns in respect of taxes under the Tax Act, the income tax legislation of any province of Canada or any foreign country having jurisdiction over affairs of the Corporation and its former Subsidiaries, as the case may be, for all periods in respect of which such filings have heretofore been required, and all taxes shown thereon and all taxes owing have been paid or accrued on the books of the Corporation and its former Subsidiaries, as the case may be, and there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any federal, provincial or other income tax return for any period, and all payments by the Corporation and, to the knowledge, information and belief of the Corporation, its former Subsidiaries, as the case may be, to any non-resident of Canada have been made in accordance with applicable legislation in respect of withholding tax; there are no assessments or reassessments respecting the Corporation or its former Subsidiaries pursuant to which there are amounts owing or discussions in respect thereof with any taxing authority and the Corporation and, to the knowledge, information and belief of the Corporation, its former Subsidiaries, has withheld from each payment made to any of its current or former officers, directors, and employees the amount of all taxes (including, without limitation, income tax) and other deductions required to be withheld therefrom and has paid the same to the proper tax or other authority within the time required under any applicable tax legislation;
- (xxv) the issued and outstanding Common Shares are listed and posted for trading on the Exchange and the Common Shares underlying the Offered Units and the Warrant Shares will be listed and posted for trading on the Exchange upon the Corporation complying with the usual conditions imposed by the Exchange with respect thereto and the Corporation is in material compliance with the by-laws, rules and regulations of the Exchange;
- (xxvi) the Corporation is a "reporting issuer" in each of the Provinces of British Columbia Alberta and Ontario within the meaning of Canadian Securities Laws in such provinces and is not in default of any material requirement of Canadian Securities Laws;
- (xxvii) CIBC Mellon Trust Company at its principal offices in the City of Calgary, Alberta is the duly appointed registrar and transfer agent of the Corporation with respect to its Common Shares and the Trustee under the Warrant Indenture;

- (xxviii) to the knowledge, information and belief of the Corporation, no insider of the Corporation has a present intention to sell any securities of the Corporation held by it;
- (xxix) in respect of the assets, properties and businesses of each of the Corporation that are operated by it, the Corporation holds all valid licences, permits and similar rights and privileges that are required and necessary under applicable law to operate the assets, properties and businesses of the Corporation as presently operated;
- (xxx) the Corporation has made available to AJM prior to the issuance of the AJM Report, for the purpose of preparing the AJM Report, all information requested by AJM, which information did not contain any material misrepresentation at the time such information was provided. Except with respect to changes in the prices of oil and gas, the Corporation has no knowledge of a material adverse change in any production, cost price, reserves or other relevant information provided to AJM since the date that such information was so provided. The Corporation believes that the AJM Report reasonably presents the quantity and pre-tax present worth values of the oil and gas reserves attributable to the crude oil, natural gas liquids and natural gas properties evaluated in such report as at December 31, 2009 based upon information available at the time such reserves information was prepared, and the assumptions as to commodity prices and costs contained therein and the Corporation believes that at the date of such report it did not (and as of the date hereof, except as may be attributable to production since the date of such report does not) overstate the aggregate quantity or pre-tax present worth values of such reserves or the estimated monthly production volumes therefrom;
- (xxxii) although it does not warrant title, the Corporation does not have reason to believe that the Corporation does not have title to or the right to produce and sell its petroleum, natural gas and related hydrocarbons (for the purpose of this clause, the foregoing are referred to as the “**Interest**”) and does represent and warrant that the Interest is free and clear of adverse claims created by, through or under the Corporation or any former Subsidiary except as disclosed in the Public Record or those arising in the ordinary course of business, and that, to its knowledge, the Corporation holds its Interest under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements except where the failure to so hold its Interest would not have a material adverse effect on the Corporation;
- (xxxiii) the Corporation is not aware of any defects, failures or impairments in the title of the Corporation to the 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 any of the Corporation; (b) the current production volumes of any of the Corporation; or (c) the current cash flow of any of the Corporation;
- (xxxiiii) the Corporation is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts that are customary in the business in which it is engaged; all policies of insurance and fidelity or surety bonds insuring the Corporation or its businesses, assets, employees, officers and directors are in full force and effect, each of the Corporation is in compliance with the terms of such policies and instruments in all material respects and there are no material claims by the Corporation under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause; the Corporation has no reason to believe that it will

not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the condition (financial or otherwise) prospects, earnings, business or properties of the Corporation;

(xxxiv) except to the extent that any violation or other matter referred to in this subparagraph 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 violation of any Environmental Laws;
- (B) the Corporation and each of its former Subsidiaries has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
- (C) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants 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 or any of its former Subsidiaries 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 or any former Subsidiary;
- (E) the Corporation and each of its former Subsidiaries 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 the occurrence of any event which is required to be so reported by any Environmental Law;
- (F) the Corporation holds all licenses, 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 licenses, 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), 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 license, permit or approval issued pursuant thereto, or that any license, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated; and
- (G) neither the Corporation nor any of its former Subsidiaries (including, if applicable, any predecessor companies thereof) has received any notice of, or been prosecuted for an offence alleging, material non-compliance with any Environmental Laws, and neither the Corporation nor any of its former Subsidiaries (including, if applicable, any predecessor companies) has settled any allegation of material non-compliance short of prosecution;

- (xxxv) any and all operations of the Corporation and each of its former Subsidiaries, 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 and its former Subsidiaries, have been conducted in accordance with good industry practices and in material compliance with applicable laws, rules, regulations, orders and directions of governmental and other competent authorities;
- (xxxvi) the Corporation is not a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of the Corporation and applicable laws, indemnification agreements or covenants that are entered into arising in the ordinary course of business, including operating and similar agreements and title documentation, indemnification and contribution provisions in agency and underwriting agreements, credit agreements with the Corporation's banks, in subscription receipt agreements, subscription agreements and transfer agency agreements) or any other like commitment of the obligations, liabilities (contingent or otherwise) of indebtedness of any other person;
- (xxxvii) the Corporation does not have any loans or other 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 the Corporation that are currently outstanding;
- (xxxviii) no officer, director, employee or any other person not dealing at arm's length with the Corporation or, to the knowledge of the Corporation, any associate or affiliate of any such person, owns, has or is entitled to any royalty, net profits interest, carried interest, licensing fee or any other encumbrances or claims of any nature whatsoever which are based on the Corporation's revenues;
- (xxxix) except as disclosed in the Public Record, since December 31, 2009, the Corporation has not incurred, assumed or suffered any liability (absolute, accrued, contingent or otherwise) or entered into any transaction which is or may be material to the Corporation and which is not in the ordinary course of business;
- (xl) other than as provided for in this Agreement, the Corporation has not incurred any obligation or liability (absolute, accrued, contingent or otherwise) for brokerage fees, finder's fees, underwriter's or agent's commission or other similar forms of compensation with respect to the transactions contemplated hereby;
- (xli) 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 Units, except as contemplated hereby;
- (xlii) the books of account and other records of each of the Corporation, whether of a financial or accounting nature or otherwise, have been maintained in accordance with prudent business practices;
- (xlili) all filings made by the Corporation or a former Subsidiary under which the Corporation or a former Subsidiary has received or is entitled to 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 amount previously paid to the Corporation or a former Subsidiary or previously accrued on the accounts thereof to be recovered or disallowed;

- (xlv) the Corporation has not completed any “significant acquisition” nor is it proposing any “probable acquisitions” (as such terms are used in NI 44-101) that would require the inclusion of any additional financial statements or pro forma financial statements in the Prospectus pursuant to applicable Securities Laws;
- (xlv) at the Closing Date, (i) the Offered Units (including all securities underlying the Offered Units) will be duly and validly created, authorized and allotted; (ii) the Common Shares and FT Common Shares underlying the Offered Units will be issued as fully paid and non-assessable Common Shares in the capital of the Corporation; (iii) the Warrants will be duly issued; and (iv) upon the due exercise of the Warrants the Warrant Shares shall be issued as fully paid and non-assessable Common Shares in the capital of the Corporation;
- (xlvi) the definitive form of certificates for the Common Shares have been duly approved and adopted by the Corporation and comply with all legal requirements relating thereto;
- (xlvii) the Corporation does not have in place a shareholder rights protection plan;
- (xlviii) neither the Corporation nor, to its knowledge, 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;
- (xlix) to the knowledge of the Corporation, none of its directors or officers are now, or have ever been, subject to an order or ruling of any securities regulatory authority or stock exchange prohibiting such individual from acting as a director or officer of a public company or of a company listed on a particular stock exchange;
- (l) the Due Diligence Session Responses will be true and correct where they relate to matters of fact, and in all material respects as at the time such responses are given and, to the knowledge of the Corporation, such 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 such responses were given, and the Corporation and its directors and officers will have responded in a thorough and complete fashion. Where the Due Diligence Session Responses reflect the opinion or view of the Corporation or its directors or officers (including, Due Diligence Session Responses or portions of such Due Diligence Session 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 Due Diligence Session 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.
- (li) the Corporation has the necessary corporate power and authority to execute, deliver and file the Prospectuses and, prior to the filing of the Prospectuses, all requisite action will have been taken by the Corporation to authorize the execution, delivery and filing of the Prospectuses;

- (lii) the attributes and characteristics of the Offered Units (including all securities underlying the Offered Units) conform in all material respects to the attributes and characteristics thereof described in the Prospectuses;
- (liii) the Corporation has not received any notice from any court, governmental agency or body or regulatory authority of any restriction on its ability to conduct its business as it is currently conducted or proposed to be conducted, or to own, lease or operate its properties and assets;
- (liv) there are no proprietary rights provided in law to patents, trademarks, copyrights, industrial designs, software, firmware, trade secrets, know how, show how, concepts, information and other intellectual and industrial property (collectively “**Intellectual Property**”) that would be necessary to permit the Corporation to conduct its business as presently conducted or as proposed to be conducted;
- (lv) the Corporation does not have any knowledge of any material outstanding rights of first refusal or other pre-emptive rights of purchase which entitle any person to acquire any of the rights, title, interests, property or assets of the Corporation;
- (lvi) each of the leases pursuant to which the Corporation occupies any premises, are in good standing and in full force and effect, and the Corporation is not in breach of any material covenants, conditions or obligations contained therein;
- (lvii) the Corporation will incur expenses which are Qualifying Expenses in an amount equal to the Commitment Amount and will renounce such amount to the purchasers of Flow-Through Units and otherwise comply with its obligations set forth in the Flow-Through Subscription Agreements;
- (lviii) the Corporation has not entered into any agreements or made any covenants with any parties that would restrict the Corporation from entering into the Flow-Through Subscription Agreements and agreeing to incur and renounce Qualifying Expenditures during the Expenditure Period in accordance with the Flow-Through Subscription Agreements or that would require the prior renunciation to any other person of Qualifying Expenditures prior to the renunciation of the Commitment Amount in favour of the Subscribers;
- (lix) the Corporation has full corporate right, power and authority to enter into the Flow-Through Subscription Agreements, issue the Flow-Through Units, incur and renounce to the Subscribers, Qualifying Expenditures in an amount equal to the Commitment Amount and has no reason to believe it will be unable to incur during the Expenditure Period, and renounce to the Subscribers, effective on or before December 31, 2010, Qualifying Expenditures in an amount equal to the Commitment Amount;
- (lx) the Corporation has no outstanding obligations to incur and renounce Qualifying Expenditures to any persons;
- (lxi) the representations and warranties made by the Corporation in the Flow-Through Subscription Agreements are, or will be, true and correct as of the date at which they are made and the Corporation will fulfill its obligations and comply with all the covenants, terms and conditions of the Flow-Through Subscription Agreements;

- (lxii) the Corporation is, and at all relevant times will be, a “principal-business corporation” as defined in subsection 66(15) of the Tax Act;
- (lxiii) the FT Common Shares will be “flow-through shares” as defined in subsection 66(15) of the Tax Act and will not constitute “prescribed shares” or “prescribed rights” for the purpose of the definition of “flow-through share” in subsection 66(15) of the Tax Act and Regulation 6202.1 of the Regulations to the Tax Act;
- (lxiv) neither the Corporation nor any corporation “associated” (as defined in the Tax Act) with the Corporation is a party to any other agreement for the issuance of flow-through shares for which the required expenditures have not been incurred;
- (lxv) the incurring and renunciation of Qualifying Expenditures to the Subscribers pursuant to the Flow-Through Subscription Agreements, does not and will not constitute a breach of or default under the constating documents of the Corporation or any law, regulation, order or ruling applicable to the Corporation or any agreement, contract or indenture to which the Corporation is a party or by which it is bound;
- (lxvi) if the Corporation amalgamates with any one or more corporations, the Corporation will cause any shares or warrants issued to or held by Subscribers of FT Common Shares as a replacement for the FT Common Shares as a result of such amalgamation to qualify by virtue of subsection 87(4.4) of the Tax Act as “flow-through shares” as described in subsection 66(15) of the Tax Act and in particular to not be prescribed shares as defined in Regulation 6202.1 of the Regulations to the Tax Act;
- (lxvii) the Corporation will not knowingly renounce any Qualifying Expenditures to a trust, corporation or partnership with which the Corporation has a “prohibited relationship” as defined as subsection 66(12.671) of the Tax Act; and
- (lxviii) with respect to forward-looking information contained in the Public Record:
 - (A) the Corporation has a reasonable basis for the forward-looking information;
 - (B) all material forward-looking information is identified as such, and the Public Record cautions users of forward-looking information that actual results may vary from the forward-looking information and identifies material risk factors that could cause actual results to differ materially from the forward-looking information; and accurately states the material factors or assumptions used to develop forward-looking information; and
 - (C) all future-oriented financial information and each financial outlook (other than such disclosure that is subject to the requirements in National Instrument 51-101- *Standards of Disclosure for Oil and Gas Activities* or National Instrument 43-101- *Standards of Disclosure for Mineral Projects*): (A) has been prepared in accordance with generally accepted accounting principles in Canada using the accounting policies the Corporation expects to use to prepare its historical financial statements for the period covered by the future-oriented financial information or the financial outlook; (B) presents fully, fairly and correctly in all material respects the expected results of the operations for the periods covered thereby; (C) is based on assumptions that are reasonable in the circumstances, reflect the Corporation’s intended course of action, and reflect management’s

expectations concerning the most probable set of economic conditions during the periods covered thereby; and

- (D) is limited to a period for which the information in the future-oriented financial information or financial outlook can be reasonably estimated.

8. Indemnity

- (a) The Corporation shall indemnify and save the Agent, and the Agent's agents, directors, officers, shareholders, partners and employees harmless against and from all 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 to which the Agent, or any of the Agent's agents, directors, officers, shareholders, partners or employees may be subject or which the Agent, or any of the Agent's agents, directors, officers, shareholders, partners or employees may suffer or incur (other than as a result of the subscription, acquisition holding or disposal of Flow-Through Units by such person as principal), 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, any Supplementary Material 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 in writing expressly for inclusion in the Preliminary Prospectus, Prospectus 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) 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, Prospectus, any Supplementary Material or in any document or other part of the Public Record) contained in the Preliminary Prospectus, 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 Units 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 8(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 Units;
 - (v) any breach of, default under or non-compliance by the Corporation with any requirements of the Canadian 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; or

- (vi) any misrepresentation contained in the Responses (taken as a whole);

provided, however, no party who has engaged in any fraud, willful misconduct, fraudulent misrepresentation or negligence shall be entitled, to the extent that the liabilities, claims, losses, costs, damages or expenses were caused by such activity, to claim indemnification from any person who has not engaged in such fraud, willful misconduct, fraudulent misrepresentation or 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 8(a) shall be asserted against any of the persons or corporations in respect of which indemnification is or might reasonably be considered to be provided for in such subsection, such person or corporation (the "**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 to the extent that such failure materially prejudices the Corporation's ability to defend such claim) as soon as possible of the nature of such claim and the Corporation shall be entitled (but not required) to assume the defence of any suit brought to enforce such claim, provided however, that the defence 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. The Indemnified Person shall have the right to retain its own counsel in any proceeding relating to a claim contemplated by subsection 8(a) if:

- (i) the Indemnified Person has been advised by counsel that there may be a reasonable legal defense available to the Indemnified Person which is different from or additional to a defense available to the Corporation and 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 ten (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 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 own 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, 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 any misrepresentation which is based upon information relating solely to the Agent contained in such document and furnished to the Corporation by the Agent in writing expressly for inclusion in the Preliminary Prospectus, the Prospectus, any Supplementary Material or any other part of the Public Record.

- (d) If any legal proceedings shall be instituted against the Corporation in respect of the Preliminary Prospectus, the Prospectus, any Supplementary Material or any other part of the Public Record or the Offered Units or if any regulatory authority or stock exchange shall carry out an investigation of the Corporation in respect of the Preliminary Prospectus, the Prospectus, any Supplementary Material or any other part of the Public Record or the Offered Units 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, provided such proceeding is not brought as a result of any negligence, fraud or willful misconduct, 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, the other expenses reasonably incurred by the Indemnified Persons in connection with such proceedings or investigation and a fee at 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 8, 9 and 11 (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 hereby acknowledges that Macquarie is acting as agent for the Agent's respective agents, directors, officers, shareholders, partners and employees under this section 8 and under section 9 with respect to all such agents, directors, officers, shareholders, partners and employees.
- (g) 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.
- (h) The rights of indemnity contained in this section 8 shall not apply if the Corporation has complied with the provisions of sections 3, 4 and 5 (or the Agent has agreed to waive compliance therewith) and the person asserting any claim contemplated by this section 8 was not provided with a copy of the Prospectus or any Supplementary Material or other document which corrects any misrepresentation or alleged misrepresentation which is the basis of such claim and which was required, under Canadian Securities Laws, to be delivered to such person by the Agent.
- (i) 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.

9. Contribution

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, reasonable legal fees and disbursements on a full indemnity basis), damages and reasonable expenses to which they may be subject or which they may suffer or incur:

- (a) 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 Units; or
- (b) if the allocation provided by subsection 9(a) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in subsection 9(a) 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.

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, 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 8 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 8.

The amount paid or payable by an Indemnified Person as a result of liabilities, claims, demands, losses (other than losses of profit), costs, damages and expenses (or claims, actions, suits or proceedings in respect thereof) referred to above shall, without limitation, include any legal or other expenses reasonably incurred by the Indemnified Person in connection with investigating or defending such liabilities, claims, demands, losses, costs, damages and expenses (or claims, actions, suits or proceedings in respect thereof) whether or not resulting in any action, suit, proceeding or claim.

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 9 shall be in addition to, and without prejudice to, any other right to contribution which the Agent or other Indemnified Persons may have.

Any liability of the Agent under this section 9 shall be limited to the cash amount actually received by the Agent under section 2.

10. Expenses

Whether or not the transactions contemplated herein shall be completed all 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 Units, shall be borne by the Corporation including, without limitation, all costs and expenses of or incidental to the preparation, filing, reproduction (including the commercial copies thereof) of the Preliminary Prospectus, the Prospectus, 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 Corporation's transfer agent and any auditors, engineers and other outside consultants, all stock exchange listing fees, and the reasonable out of pocket expenses of the Agent, including the legal fees and disbursements of Agent's counsel, and all other reasonable costs and expenses relating to the transactions contemplated herein. All fees and expenses incurred by the Agent which are reimbursable hereunder shall be payable by the Corporation immediately upon receiving an invoice therefor from the Agent. The Agent acknowledges receipt of \$15,000 in respect of the retainer fee of Agent's counsel.

11. Termination

- (a) Macquarie may, without liability, 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:
- (i) any order to cease or suspend trading in any securities of the Corporation or prohibiting or restricting the distribution of any of the Offered Units is made, or proceedings are announced, commenced or threatened for the making of any such order, by any securities commission or similar regulatory authority, the Exchange or any other competent authority, and has not been rescinded, revoked or withdrawn;
 - (ii) any inquiry, action, suit, investigation or other proceeding (whether formal or informal) in relation to the Corporation or any of its Subsidiaries, if applicable, or any of the directors or senior officers of the Corporation is announced, commenced or threatened by any securities commission or similar regulatory authority, the Exchange or any other competent authority or there is a change in law, regulation or policy or the interpretation or administration thereof, if, in the opinion of the Agent, the change, announcement, commencement or threatening thereof adversely affects, or may adversely affect, the trading or distribution of the Offered Units or any other securities of the Corporation;
 - (iii) there shall have occurred or be discovered any adverse change, as determined by Macquarie in its sole discretion, acting reasonably, in the business, operations, capital or condition (financial or otherwise), business or business prospects of the Corporation or the properties, assets, liabilities or obligations of the Corporation (absolute, accrued, contingent or otherwise) which in the opinion of Macquarie, could reasonably be expected to have a material adverse effect on the market price or value of the Offered Units or the marketability of the Offered Units or any other securities of the Corporation;
 - (iv) there should develop, occur or come into effect or existence, or be announced, any event, action, state, condition or occurrence of national or international consequence, or any law, action, regulation or other occurrence of any nature whatsoever, which, in the sole opinion of Macquarie, acting reasonably, materially adversely affects or involves, or will seriously adversely affect or involve, the financial markets generally or the business, operations or affairs of the Corporation;

- (v) Macquarie shall become aware of any material information with respect to the Corporation which had not been publicly disclosed or disclosed in writing to Macquarie at or prior to the date hereof and which in the sole opinion Macquarie, acting reasonably, could be expected to have a material adverse effect on the market price or value of the Offered Units or the Common Shares or the marketability of the Offered Units or any other securities of the Corporation;
 - (vi) the Corporation shall be in breach of, default under or non-compliance with any representation, warranty, covenant, term or condition of this Agreement, the Agent's Option Agreement or the Warrant Indenture in any material respect; or
 - (vii) there is announced any change or proposed change in the income tax laws of Canada or the interpretation or administration thereof and such change, in the sole opinion of Macquarie, acting reasonably, could be expected to have a significant adverse effect on the market price or value of the Offered Units or any other securities of the Corporation.
- (b) Macquarie may exercise any or all of the rights provided for in subsection 11(a) or section 12 or 16 notwithstanding any material change, change, event or state of facts and (except where the Agent purporting to exercise any of such rights is in breach of its obligations under this Agreement) 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 Units for sale and any act taken by the Agent in connection with any amendment to the Prospectus (including the execution of any amendment or any other Supplementary Material) 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 subsection 11(a) or section 12 or 16 if such waiver or estoppel is in writing and specifically waives or estops such exercise or reliance.
- (c) 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 obligation of the Corporation under section 8, 9, or 10. The rights of the Agent to terminate its obligations hereunder are in addition to, and without prejudice to, any other rights or remedies they may have.
- (d) If the Agent elects to terminate its obligations hereunder, whether the reason for such termination is within or beyond the control of the Corporation, the liability of the Corporation hereunder with respect to the Agent shall be limited to the indemnity referred to in section 8, the contribution rights referred to in section 9 and the payment of expenses referred to in section 10.

12. Closing Documents

The obligations of the Agent hereunder to complete the offering of the Offered Units shall be conditional upon the Minimum Offering being achieved and 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) favourable legal opinions of the Corporation's counsel and the Agent's counsel addressed to the Agent, in form and substance reasonably satisfactory to the Agent, with respect to such matters as

the Agent may reasonably request relating to the Corporation, the offering of the Offered Units and the transactions contemplated hereby, including, without limitation, that:

- (i) the Corporation has been duly incorporated, amalgamated or formed, as the case may be, and is validly subsisting under the laws of the jurisdiction of its incorporation, amalgamation or formation, as the case may be, and has all requisite corporate or partnership capacity, power and authority to carry on its business as now conducted by it and to own its properties and assets;
- (ii) the Corporation has all necessary corporate capacity, power and authority: (A) to create, issue and sell the Common Shares and the FT Common Shares, the Warrants, the Agent's Options and the Agent's Fee Shares; (B) to issue the Warrant Shares issuable upon exercise of the Warrants in accordance with their terms; (C) to issue the Agent's Shares and Agent's Warrants issuable upon exercise of the Agent's Options in accordance with their terms; and (D) to issue the Agent's Warrant Shares upon exercise of the Agent's Warrants;
- (iii) the Corporation has full corporate capacity, power and authority to (A) execute and deliver and enter into this Agreement, the Agent's Option Agreement, the Warrant Indenture, the Warrant Certificates and the Flow-Through Subscription Agreements; and (B) to perform its obligations set out herein and therein and this Agreement;
- (iv) the Agent's Option Agreement, the Warrant Indenture, the Warrant Certificates and the Flow-Through Subscription Agreements have been duly authorized, executed and delivered by the Corporation and each of this Agreement, the Agent's Option Agreement, the Warrant Indenture, the Warrant Certificates and the Flow-Through Subscription Agreements 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;
- (v) the execution and delivery of this Agreement, the Agent's Option Agreement, the Warrant Indenture, Warrant Certificates and the Flow-Through Subscription Agreements and the fulfillment of the terms hereof and thereof by the Corporation, and the performance of and compliance with the terms of this Agreement, the Agent's Option Agreement, the Warrant Indenture, the Warrant Certificates and the Flow-Through Subscription Agreements by the Corporation does 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; (c) of which counsel is aware, any resolutions of the shareholders or partners, as applicable, or directors (or any committee thereof) of the Corporation; (d) 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; or (e) of which counsel is aware, any judgment, decree or order, of any court, governmental agency or body or regulatory authority having jurisdiction over or binding the Corporation or its properties or assets, which default or breach might reasonably be expected to materially adversely affect the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or

- otherwise), ownership or condition (financial or otherwise) or results of operations of the Corporation or its properties or assets;
- (vi) upon the payment therefor, the Common Shares and FT Common Shares underlying the Offered Units will have been validly issued as fully paid and non-assessable Common Shares;
 - (vii) the Warrants underlying the Offered Units have been validly created and issued;
 - (viii) the Warrant Shares issuable upon the exercise of the Warrants have been authorized and allotted for issuance and, upon the exercise of the Warrants in accordance with the provisions thereof and in accordance with the Warrant Indenture, such Warrant Shares will be validly issued as fully paid and non-assessable Common Shares;
 - (ix) the Agent's Options have been validly created;
 - (x) the Agent's Fee Shares and the Agent's Shares issuable upon the exercise of the Agent's Options have been authorized and allotted for issuance and, upon the election of the Agent to receive Agent's Fee Shares or upon the exercise of the Agent's Options in accordance with the provisions thereof and in accordance with the terms of the Agent's Option Agreement, such Agent's Fee Shares and Agent's Shares will be validly issued as fully paid and non-assessable Common Shares;
 - (xi) the Agent's Warrant Shares issuable upon the exercise of the Agent's Warrants have been authorized and allotted for issuance and, upon the exercise of the Agent's Warrants in accordance with the provisions thereof, such Agent's Warrant Shares will be validly issued as fully paid and non-assessable Common Shares;
 - (xii) all necessary documents have been filed, all necessary proceedings have been taken and all legal requirements have been fulfilled as required under the Canadian Securities Laws of each of the Qualifying Provinces in order to qualify the Common Shares, FT Common Shares and Warrants underlying the Offered Units and the Agent's Option for distribution and sale to the public in each of such Qualifying Provinces by or through investment dealers and brokers duly registered under the applicable laws of such provinces who have complied with the relevant provisions of such Canadian Securities Laws;
 - (xiii) the issue by the Corporation of the Warrant Shares to be issued upon exercise of the Warrants, the Agent's Shares to be issued upon exercise of the Agent's Options, the Agent's Fee Shares to be issued upon the election of the Agent and the Agent's Warrant Shares to be issued upon exercise of the Agent's Warrant are exempt from, or are not subject to, the prospectus and registration requirements of the Securities Laws of the Qualifying Provinces and no prospectus or other documents are required to be filed, proceedings taken, or approvals, permits, consents or authorizations obtained by the Corporation under the Securities Laws of the Qualifying Provinces in respect of such distribution;
 - (xiv) the first trade in, or resale of, the Warrant Shares to be issued upon exercise of the Warrants is exempt from, or is not subject to, the prospectus requirements of the Securities Laws of the Qualifying Provinces and no prospectus or other documents are required to be filed, proceedings taken, or approvals, permits, consents or authorizations obtained under such Securities Laws in respect of such trade;

- (xv) the first trade in, or resale of, the Agent's Shares to be issued upon exercise of the Agent's Options and the Agent's Warrant Shares to be issued upon exercise of the Agent's Warrants are exempt from, or are not subject to, the prospectus requirements of the Securities Laws of the Qualifying Provinces and no prospectus or other documents are required to be filed, proceedings taken, or approvals, permits, consents or authorizations obtained under such Securities Laws in respect of such trades;
- (xvi) the Corporation is a "reporting issuer" not in default of any requirement of the *Securities Act* (Alberta) and the regulations thereunder and has a similar status under the Canadian Securities Laws of each of the other Qualifying Provinces;
- (xvii) the attributes of the Offered Units (including all securities underlying the Offered Units) conform in all material respects with the description thereof contained in the Prospectuses;
- (xviii) the FT Common Shares, Common Shares and Warrants are "qualified investments" as set out under the heading "Eligibility for Investment" in the Prospectus;
- (xix) 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 Provinces in accordance with Canadian Securities Laws;
- (xx) subject to the qualifications set out therein, the statements in the Prospectus under the heading "Certain Canadian Federal Income Tax Considerations" constitute a fair and adequate summary of certain Canadian federal income tax consequences arising under the Tax Act to persons referred to therein who subscribe for Flow-Through Units or Common Share Units;
- (xxi) the Common Shares and FT Common Shares underlying the Offered Units, the Warrant Shares and Agent's Shares and Agent's Warrant Shares are conditionally approved for listing and, upon notification to the Exchange of the issuance and sale thereof and fulfillment of the conditions of the Exchange, will be listed and posted for trading on the Exchange;
- (xxii) CIBC Mellon Trust Company has been duly appointed by the Corporation as the Trustee under the Warrant Indenture and transfer agent and registrar for the Common Shares (including the Common Shares and FT Common Shares underlying the Offered Units and the Warrants Shares);
- (xxiii) the form and terms of the definitive certificates representing the Common Shares and Warrants have been duly approved and adopted by the board of directors of the Corporation and comply with all legal requirements (including the requirements of the Exchange) relating thereto;
- (xxiv) other than any agreement or arrangement of which the Corporation has no knowledge and to which it is not a party, the FT Common Shares are "flow-through shares" as defined in subsection 66(15) of the Tax Act and will not constitute "prescribed shares" or "prescribed rights" for the purposes of Regulation 6202.1 of the Regulations of the Tax Act;

(xxv) as to the authorized and issued capital of the Corporation;

and as to all other legal matters, including compliance with Canadian Securities Laws, in any way connected with the issuance, sale and delivery of the Offered Units as the Agent may reasonably request.

It is understood that the respective counsel may rely on the opinions of local counsel acceptable to them as to matters governed by the laws of jurisdictions other than where they are qualified to practice law, and on certificates of officers of the Corporation, the transfer agent and the Corporation's auditors as to relevant matters of fact. It is further understood that the Agent's counsel may rely on the opinion of the Corporation's counsel as to matters which specifically relate to the Corporation or the Offered Units, including the issuance of the Offered Units;

- (b) a certificate of the Corporation dated the Closing Date addressed to the Agent and signed on behalf of the Corporation by the President and Chief Executive Officer and the Chief Financial Officer, or such person acting in a similar capacity, of the Corporation or such other officers of the Corporation satisfactory to the Agent, acting reasonably, certifying that:
 - (i) the Corporation has complied with all of the covenants and satisfied in all material respects all of the terms and conditions of this Agreement on its part to be complied with or satisfied at or prior to the Closing Time;
 - (ii) the representations and warranties of the Corporation set forth in this Agreement are true and correct in all material respects at the Closing Time, as if made at such time; and
 - (iii) no event of a nature referred to in subsection 6(a), 6(b), 11(a)(i), 11(a)(ii), 11(a)(iii) or 11(a)(vi) has occurred or to the knowledge of such officer is pending, contemplated or threatened (excluding any requirement to make any determination as to any opinion of the Agent); and each such statement shall be true and the Agent shall have no knowledge to the contrary;
- (c) a comfort letter of the Corporation's auditors and those other auditors required to provide a "comfort letter" pursuant to subsection 4(c) 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(c) hereof up to the Closing Time, which comfort letters shall be based on the Corporation's auditors' or other applicable auditor's review, each such review having a cut-off date of not more than two Business Days prior to the Closing Date;
- (d) evidence satisfactory to the Agent that the Common Shares and FT Common Shares underlying the Offered Units, the Warrant Shares and Agent's Shares and Agent's Warrant Shares, have been conditionally listed on the Exchange, and upon notice to the Exchange and issuance, as applicable, shall be posted for trading as at the opening of business on the Closing Date or such other date as agreed to by the Corporation and the Agent;
- (e) executed copies of the Flow-Through Subscription Agreements;
- (f) evidence satisfactory to the Agent, acting reasonably, that the Corporation has entered into the Commitment Letter with the ATB, in such form as the Agent may reasonably request, including but not limited to, a covenant by ATB to forbear from realizing on any security relating to the sale proceeds of the Flow-Through Units;

- (g) evidence satisfactory to the Agent, acting reasonably, that the Corporation will be in a position to deposit the Flow-Through Proceeds in a segregated account with the ATB;
- (h) evidence satisfactory to the Agent, acting reasonably, that all of the conditions precedent in the Commitment Letter have been satisfied;
- (i) evidence satisfactory to the Agent that not less than \$4,150,000 (50%) of the aggregate principal amount of the outstanding Debentures has been settled by way of exchange of such Debentures for Common Shares at a price of \$0.23 per Common Share;
- (j) the Agent shall have completed and be satisfied, in its sole discretion, with the results of its due diligence investigations regarding the Corporation, its business, operations and financial condition and market conditions at the Closing Time; and
- (k) such other certificates and documents as the Agent may request, acting reasonably.

13. Deliveries

- (a) The sale of the Common Share Units and Flow-Through Units to be sold 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 12, the Agent, on the Closing Date, shall deliver to the Corporation, by certified cheque, bank draft or wire transfer, an amount representing the aggregate purchase price of the Offered Units against delivery by the Corporation of:
 - (i) the opinions, certificates and documents referred to in section 12;
 - (ii) definitive certificates representing, in the aggregate, all of the Offered Units sold hereunder registered, subject to subsection 13(c) below, in the name of CDS & Co., or in such name or names as the Agent shall notify the Corporation in writing not less than 24 hours prior to the Closing Time;
 - (iii) the Agent's Option Agreement; and
 - (iv) payment to Macquarie, by certified cheque, bank draft or wire transfer or such other means as the Corporation and Macquarie may agree, of the balance of Agent's Fee provided for in section 2 in respect of the Offered Units and the expenses of the Agent provided for in section 10;

or the Agent may, in its discretion, deliver by certified cheque, bank draft or wire transfer the net amount of the amount in respect of the Offered Units referred to above and the amount referred to in (iv) above.

- (b) If the Corporation and the Agent determine to issue all or part of the securities underlying the Offered Units 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 Units in the manner and at the times set forth in this section 13:

- (i) the Agent will provide a direction to CDS with respect to the crediting of the Offered Units 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 CIBC Mellon Trust Company as registrar and transfer agent of the Common Shares, to deliver to CDS, on behalf of the Agent, one fully registered global certificate for the securities underlying the Offered Units to be purchased hereunder, registered in the name of "CDS & Co." as the nominee of CDS, to be held by CDS as a book-entry only security in accordance with the rules and procedures of CDS.

14. Future Financings

Provided the offering of Offered Units is completed, the Corporation hereby grants to Macquarie the right of first refusal to lead any offering of securities of the Corporation to be issued and sold to the public in Canada by private placement or public offering or to provide professional, sponsorship or advisory services performed (or normally performed) by a broker or investment dealer for a period of 12 months from the Closing Date, subject to the Corporation and Macquarie, both acting reasonably, agreeing to the terms and conditions thereof. The right of first refusal shall be subject to the following terms:

- (a) in the event the Corporation proposes to conduct a private placement or a distribution to the public of any of the Corporation's securities or in the event the Corporation receives a binding proposal (or a proposal which would be binding and enforceable if it were executed and delivered by the parties thereto) for a private placement or a distribution to the public of the Corporation's securities, or if the Corporation wishes to engage or receives an offer to engage, any broker or investment dealer in relation to professional, sponsorship or financial advisory services, the Corporation shall forthwith provide written notice (the "**Notice**") thereof to Macquarie;
- (b) the Notice shall contain the terms and conditions pursuant to which the Corporation proposes to make the offering, or for which a proposal for an offering has been made or in relation to the engagement for professional, sponsorship or financial advisory services including the consideration proposed to be paid and the consideration to be received by the Corporation for its securities, if known;
- (c) Macquarie shall have a period of two (2) business days after receipt of the Notice (the "**Notice Period**") from the Corporation to elect in writing to act as agent, underwriter, sponsor or financial advisor, as the case may be, on behalf of the Corporation on the terms and conditions contained in the Notice and, if Macquarie so elects, the Corporation hereby agrees to engage Macquarie to conduct the said private placement, distribution to the public as its agent or underwriter, or to engage Macquarie in relation to professional services, sponsorship or financial advisory services, as the case may be;
- (d) if Macquarie declines or fails to elect within the Notice Period to conduct the private placement, distribution to the public as agent or underwriter or act as professional advisor, sponsor or financial advisor on behalf of the Corporation on the terms and conditions set out in the Notice, the Corporation shall be entitled for a period of thirty (30) days beginning upon the expiry of the Notice Period, to engage a registered Canadian investment dealer ("**Dealer**") on substantially the same terms and conditions as set forth in the Notice. Upon expiry of such thirty (30) day period, or in the event that such terms and conditions of the proposed offering, proposal from the Dealer, or engagement for professional services, sponsorship or financial advisory services, as the case may be, change materially, the Corporation shall not be entitled to enter an engagement or

agreement with another dealer, or the Dealer, as the case may be, without again complying with section 14(a) to (d) inclusive *mutatis mutandis*;

- (e) in the event that the Corporation does not engage Macquarie in connection with the proposed private placement, distribution to the public or in relation to professional, sponsorship or financial advisory services in accordance with the foregoing, the provisions of this section shall apply to the next proposal *mutatis mutandis*;
- (f) in the event Macquarie elects in writing to act as agent, underwriter, professional advisor, sponsor or financial advisor to the Corporation pursuant to subsection 14(c), Macquarie may enter into arrangements with other investment dealers registered to sell securities in the jurisdictions in which said private placement or distribution to the public is to be conducted, at no additional cost to the Corporation, whereby such other investment dealers will be permitted to solicit subscriptions with respect to the said private placement or distribution. The arrangement between Macquarie and such investment dealers shall be on such terms and subject to such conditions as Macquarie may deem appropriate; and
- (g) if the Corporation issues any securities to which the foregoing would apply, but does not retain a Dealer as agent or underwriter therefor, the foregoing shall not apply to such issuance, unless any of the subscribers to the issuance of the securities is a subscriber or beneficial purchaser of the Offered Units, other than President's List subscribers, in which case this section 14 will apply.

15. Notices

Any notice or other communication to be given hereunder shall, in the case of notice to be given to the Corporation be addressed to Twoco Petroleum Ltd. at the above address, Fax No. (403) 237-6048 with a copy to:

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

Attention: Steven G. Pearson

Fax No.: (403) 266-1395

and, in the case of notice to be given to the Agent, be addressed to:

Macquarie Private Wealth Inc.
440 – 2nd Avenue S.W., Suite 2200
Calgary, AB T2P 5E9

Attention: Jeff German, CA, CBV, Vice President, PVC Corporate Finance

Fax No.: (403) 260-5785

with a copy to:

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

Attention: Peter Soby

Fax No.: (403) 296-4494

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

- (a) a communication which is personally delivered shall, if delivered before 5:00 p.m. (local time at the place of delivery) 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
- (b) a communication which is sent by facsimile transmission shall, if sent on a Business Day before 5:00 p.m. (local time at the place of receipt), 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.

16. 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 the Agent to terminate its obligations hereunder, by written notice to that effect given to the Corporation prior to the Closing Time. Macquarie 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 the Agent's 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.

17. Survival of Representations and Warranties

All representations, warranties, terms and conditions herein (including, without limitation, those contained in section 7) 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 Units and the distribution of the Offered Units pursuant to the Prospectus 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.

18. Agent's Covenants

Macquarie and, if applicable, each other sub-agent, covenants and agrees with the Corporation that it will:

- (a) offer the Offered Units for sale to the public in the Qualifying Provinces;
- (b) conduct activities in connection with the proposed offer and sale of the Offered Units in compliance with all Canadian 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 Units, if applicable;
- (c) use all reasonable commercial efforts to complete the distribution of Offered Units as soon as possible;

- (d) not solicit subscriptions for the Offered Units, trade in Offered Units or otherwise do any act in furtherance of a trade of Offered Units in any jurisdictions outside of the Qualifying Provinces, except in such other jurisdictions outside of Canada provided that such sales are made in accordance with the Canadian Securities Laws of such jurisdictions; and
- (e) as soon as reasonably practicable after the Closing Date provide the Corporation with a breakdown of the number of Offered Units sold in each of the Qualifying Provinces and, upon completion of the distribution of the Offered Units, provide to the Corporation and to the Securities Commissions notice to that effect, if required by Canadian Securities Laws.

19. 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.

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 Canadian Securities Laws and has fiduciary relationships with its clients; (ii) acknowledges and agrees that the Agent is not an agent of the Corporation nor otherwise 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 Canadian Securities Laws or fiduciary relationships with its clients conflicts with its obligations hereunder the Agent shall be entitled to fulfill its statutory obligations as a registrant under the Canadian Securities Laws and its duties to its clients. Nothing in this Agreement shall be interpreted to prevent the Agent from fulfilling of its statutory obligations as a registrant under the Canadian Securities Laws or to act as a fiduciary of its clients.

21. Stabilization

In connection with the distribution of the Offered Units, the Agent may effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail on the open market, but in each case only as permitted by applicable law. Such stabilizing transactions, if any, may be discontinued at any time.

22. 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. Each of the Corporation and the Agent hereby attorns to the non-exclusive jurisdiction of the courts of the Province of Alberta.

23. Time of the Essence

Time shall be of the essence of this Agreement.

24. 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. Delivery of counterparts may be effected by facsimile transmission or other electronic communication.

25. 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.

26. Use of Proceeds

The Corporation covenants and agrees:

- (a) to use the proceeds from the issuance and sale of the Offered Units substantially in accordance with the disclosure in the Prospectuses and the covenants contained herein and in the Flow-Through Subscription Agreements;
- (b) that it will deposit the Flow-Through Proceeds in a segregated account with the ATB immediately following Closing; and
- (c) it will provide the Agent with the a copy of the Monthly Corporate Update (as such term is defined in the Commitment Letter) provided to the ATB on a monthly basis until such time as all of the Flow-Through Proceeds have been used by the Corporation in accordance with this Agreement and the Flow-Through Subscription Agreements.

27. Entire Agreement

It is understood that the terms and conditions of this Agreement supersede any previous verbal or written agreement between Macquarie and the Corporation, including the engagement letter dated July 13, 2010 between the Corporation and Macquarie.

[The remainder of this page was 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 Macquarie.

MACQUARIE PRIVATE WEALTH INC.

By: “Jeff German, CA, CBV”

Name: Jeff German, CA, CBV

Title: Vice President, PVC Corporate
Finance

TWOCO PETROLEUMS LTD.

By: “Wayne A. Malinowski”

Name: Wayne A. Malinowski

Title: President and Chief Executive Officer

SCHEDULE "A"

FORM OF SUBSCRIPTION AND RENUNCIATION AGREEMENT

TO: **TWOCO PETROLUEMS LTD.** (the "**Corporation**")
Suite 1050, 1122 - 4th Street SW, Calgary, AB T2R 1M1

1. Macquarie Private Wealth Inc., as the duly authorized agent (the "**Agent**") for those persons listed on Exhibit "A" attached hereto (the "**Subscribers**") and in the respective numbers set out therein, hereby irrevocably subscribes for ♦ common share units of the Corporation ("**Flow-Through Units**") at a price of \$0.25 per Flow-Through Unit for an aggregate subscription price of \$♦, upon the terms and conditions set forth in this Agreement (the "**Subscription Agreement**") constituted by the acceptance hereof and as described in the final short-form prospectus (the "**Prospectus**") of the Corporation dated ♦, 2010. Each Flow-Through Unit shall consist of one common share in the capital of the Corporation ("**Common Share**") issued on a flow-through basis pursuant to the *Income Tax Act* (Canada) ("**FT Common Share**") and one-half of one Common Share purchase warrant ("**Warrant**"), with each whole Warrant entitling the holder thereof to purchase one Common Share at an exercise price of \$0.30 per Common Share for a period of twenty-four (24) months from the date of issuance.

The Agent represents and warrants to the Corporation that it has been authorized to enter into this Subscription Agreement on behalf of the Subscribers and to make the representations, warranties and statements contained herein on their behalf. The Subscribers have received a copy of the Prospectus and have tendered payment of their respective subscription price to the Agent in order that it may deliver a certified cheque or bank draft payable to the Corporation in respect thereof.

2. In this Subscription Agreement:
 - (a) "**Canadian Exploration Expense(s)**" or "**CEE**" means Canadian exploration expense described in paragraphs (a) or (d) of the definition of "Canadian exploration expense" in subsection 66.1(6) of the Tax Act or that would be described in paragraph (h) of such definition if the reference therein to "paragraphs (a) to (d) and (f) to (g.1)" were a reference to "paragraphs (a) and (d)", excluding amounts which are prescribed to constitute "Canadian exploration and development overhead expense" under the Tax Act, the amount of any assistance described in paragraph 66(12.6)(a) of the Tax Act and any expense described in paragraph 66(12.6)(b.1) of the Tax Act;
 - (b) "**Commitment Amount**" in respect of each Subscriber, means an amount equal to \$0.2495 multiplied by the number of Flow-Through Units subscribed for by such Subscriber hereunder;
 - (c) "**Expenditure Period**" means the period commencing on the date of acceptance of this Subscription Agreement and ending on the earlier of:
 - (i) the date on which the Commitment Amount has been fully expended in accordance with the terms hereof; and
 - (ii) December 31, 2011;
 - (d) "**Principal Business Corporation**" means a principal-business corporation as defined in subsection 66(15) of the Tax Act;
 - (e) "**Qualifying Expenditures**" means expenses which qualify as CEE at the date they are incurred by the Corporation; and

- (f) “**Tax Act**” means the *Income Tax Act* (Canada), together with any and all regulations promulgated thereunder, as amended from time to time.
3. All capitalized terms used herein and not otherwise defined herein shall have the same meanings herein as are ascribed thereto in the Prospectus.
4. Each Subscriber represents, warrants, covenants, certifies, acknowledges and declares to the Corporation and the Agent (and acknowledges that the Corporation and the Agent are relying thereon) that:
- (a) this Subscription Agreement is subject to acceptance by the Corporation and is effective only upon such acceptance;
 - (b) the Subscriber has received and reviewed a copy of the Prospectus;
 - (c) neither the Subscriber nor any beneficial purchaser for whom it is acting is a non-resident of Canada for the purposes of the Tax Act;
 - (d) neither the Subscriber nor any beneficial purchaser for whom it is acting has entered into and will not knowingly enter into any agreement or arrangement which will cause the FT Common Shares to become “prescribed shares” for the purposes of the Tax Act;
 - (e) if the Subscriber or any beneficial purchaser for whom it is acting is a trust, corporation or partnership, it does not and will not knowingly have, in respect of a renunciation of CEE hereunder, a “prohibited relationship” with the Corporation, within the meaning of subsection 66(12.671) of the Tax Act;
 - (f) the Subscriber, if an individual, is of the full age of majority and is otherwise legally competent to authorize the Agent or any sub-agent to enter into this Subscription Agreement;
 - (g) the Subscriber, and any beneficial purchaser for whom it is acting deals, and until January 1, 2012 will continue to deal, at arm’s length with the Corporation for the purposes of the Tax Act;
 - (h) the liability of the Corporation to renounce CEE is limited to the extent specifically stated in the Prospectus and in this Subscription Agreement;
 - (i) if a corporation, the Subscriber is a valid and subsisting corporation, it has the necessary corporate capacity and authority to authorize the Agent or any sub-agent to enter into this Subscription Agreement and to observe and perform its covenants and obligations hereunder and it has taken all necessary corporate action in respect thereof, or, if it is a partnership, syndicate or other form of unincorporated organization, it has the necessary legal capacity and authority to authorize the Agent or any sub-agent to enter into this Subscription Agreement and to observe and perform its covenants and obligations hereunder and, in either case, it has obtained all necessary approvals in respect thereof;
 - (j) the Subscriber has such knowledge, or has received advice, in financial and business affairs as to be capable of evaluating the merits and risks of the investment and the Subscriber is able to bear the economic risk of loss of its entire investment;
 - (k) if required by applicable securities legislation, policy or order of a securities commission or other regulatory authority, the Subscriber will execute, deliver, file and otherwise assist the Corporation in filing such reports, undertakings and other documents with respect to the issue of the Flow-Through Shares;

- (l) the entering into of this Subscription Agreement and the transactions contemplated thereby will not result in a violation of any of the terms and provisions of any law applicable to the Subscriber, or, if the Subscriber is not a natural person, any of its constating documents, or of any agreement to which the Subscriber is a party or by which it is bound;
- (m) the Subscriber waives any right that the Subscriber may have to any potential incentive grants, credits and similar or like payments or benefits which accrue as a result of the operations relating to the Qualifying Expenditures and acknowledges that all such grants, credits, payments or benefits accrue to the benefit of the Corporation;
- (n) the Subscriber is aware that the Flow-Through Units have not been and will not be registered under the U.S. Securities Act or the securities laws of any state and that these securities may not be offered or sold in the United States without registration under the U.S. Securities Act or compliance with requirements of an exemption from registration, and the applicable laws of all applicable states or an exemption from such registration requirements is available and acknowledges that the Corporation has no present intention of filing a registration statement under the U.S. Securities Act in respect of the Flow-Through Units;
- (o) the Flow-Through Units have not been offered to the Subscriber in the United States, and the individuals making the order to purchase the Flow-Through Units and executing and delivering this Subscription Agreement on behalf of the Subscriber were not in the United States when the order was placed and this Subscription Agreement was executed and delivered;
- (p) the Subscriber is not a “U.S. Person” (as that term is defined by Regulation S under the U.S. Securities Act) and is not acquiring the Flow-Through Units on behalf of, or for the account or benefit of, a U.S. Person or a person in the United States;
- (q) the Subscriber undertakes and agrees that the Subscriber will not offer or sell the Flow-Through Units in the United States unless such securities are registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available, and further that the Subscriber will not resell the Flow-Through Common Shares or Warrants except in accordance with the provisions of applicable securities legislation, regulations, rules, policies and orders and stock exchange rules;
- (r) no person has made to the Subscriber any written or oral representations:
 - (i) that any person will resell or repurchase the Flow-Through Units;
 - (ii) that any person will refund the purchase price of the Flow-Through Units; or
 - (iii) as to the future price or value of the Flow-Through Units;
- (s) the covenants, representations and warranties of the Subscriber stated or referred to in this Subscription Agreement shall be true and correct both as of the execution of this Subscription Agreement and as of the Closing Date of the Offering as if repeated at such time, and will survive the completion of the issuance of the Flow-Through Units and the completion of the transactions contemplated under this Subscription Agreement and the Agency Agreement; and
- (t) the Subscriber acknowledges that it has been encouraged to obtain independent legal, income tax and investment advice with respect to its subscription for the Flow-Through Units and accordingly, has had the opportunity to acquire an understanding of the meanings of all terms contained herein relevant to the Subscriber for the purposes of giving representations, warranties and covenants hereunder.

5. The Corporation hereby represents and warrants to and for the benefit of the Subscribers and the Agent (and acknowledges that the Subscribers and the Agent are relying thereon) that:
 - (a) the Corporation has been duly incorporated and is a valid and subsisting corporation, under the laws of the Province of Alberta, and is qualified to carry on business in the Province of Alberta and in each other jurisdiction, if any, wherein the carrying out of the activities contemplated hereby makes such qualification necessary;
 - (b) the Corporation has the full corporate right, power and authority to execute and deliver this Subscription Agreement, to issue the Flow-Through Units to the Subscribers and to incur and renounce to the Subscribers, Qualifying Expenditures in an amount equal to the Commitment Amount;
 - (c) the Corporation is, and at all material times will be, a Principal Business Corporation;
 - (d) the FT Common Shares will be “flow-through shares” as defined in subsection 66(15) of the Tax Act and will not constitute “prescribed shares” or “prescribed rights” for the purpose of the definition of “flow-through share” in subsection 66(15) of the Tax Act and Regulation 6202.1 of the Regulations to the Tax Act;
 - (e) the Corporation has not entered into any agreements or made any covenants with any parties that would restrict the Corporation from entering into the Flow-Through Subscription Agreements and agreeing to incur and renounce Qualifying Expenditures during the Expenditure Period in accordance with the Flow-Through Subscription Agreements or that would require the prior renunciation to any other person of Qualifying Expenditures prior to the renunciation of the Commitment Amount in favour of the Subscribers;
 - (f) the Corporation has no outstanding obligations to incur and renounce Qualifying Expenditures to any persons;
 - (g) neither the Corporation nor any corporation “associated” (as defined in the Tax Act) with the Corporation is a party to any other agreement for the issuance of flow-through shares for which the required expenditures have not been incurred;
 - (h) this Subscription Agreement constitutes a valid and binding obligation of the Corporation enforceable against it in accordance with its terms; and
 - (i) the execution and delivery of, and the performance of the terms of this Subscription Agreement by the Corporation, including the issuance of the Flow-Through Units, the incurring of Qualifying Expenditures and the renunciation of Qualifying Expenditures to the Subscribers pursuant hereto does not and will not constitute a breach of or constitute a default under the constating documents of the Corporation or any law, regulation, order or ruling applicable to the Corporation or any agreement, contract or indenture to which the Corporation is a party or by which it is bound.
6. The Corporation covenants and agrees with each of the Subscribers:
 - (a) to keep proper books, records and accounts of all Qualifying Expenditures and all transactions affecting the aggregate Commitment Amount and the Qualifying Expenditures, and upon reasonable notice and on a reasonable basis, to make such books, records and accounts available to an authorized representative of the Subscribers for inspection by such representative on behalf of the Subscribers at the Subscriber’s expense for the sole purpose of responding to a demand or a proposal of the Canada Revenue Agency;

- (b) to file with the appropriate tax authorities, the form prescribed by subsection 66(12.68) of the Tax Act together with a copy of this Subscription Agreement and the Prospectus within the time period prescribed by law;
- (c) to file with the appropriate tax authorities, the form prescribed by subsection 66(12.7) of the Tax Act on or before the last day of the first month following each month in which any renunciation is made pursuant to the terms of this Subscription Agreement;
- (d) to incur, during the Expenditure Period, Qualifying Expenditures in such amount as enables the Corporation to renounce to each of the Subscribers in accordance with the Tax Act and this Subscription Agreement, Qualifying Expenditures in an amount equal to the Commitment Amount of each such Subscriber;
- (e) to renounce to each of the Subscribers, effective on or before December 31, 2010, Qualifying Expenditures incurred during the Expenditure Period in accordance with the requirements of the Tax Act in an amount equal to the Commitment Amount of each such Subscriber;
- (f) to deliver to each Subscriber at the Subscriber's address set forth in Exhibit "A" attached hereto, not later than March 1, 2011, a statement (including Form T-101) setting forth the aggregate amounts of CEE renounced to such Subscriber pursuant hereto;
- (g) that the Corporation will not reduce the amount renounced to each Subscriber pursuant to this Subscription Agreement and, in the event that an appropriate tax authority reduces the amount renounced to a Subscriber pursuant to subsection 66(12.73) of the Tax Act, the Corporation shall indemnify such Subscriber as to, and pay to such Subscriber an amount equal to, the amount of any tax payable under the Tax Act (and any other corresponding provincial legislation) by such Subscriber (or if such Subscriber is a partnership, by any member thereof) as a consequence of such reduction, such payment to be made on a timely basis once the amount is definitively determined;
- (h) that if the Corporation does not renounce, effective on or before December 31, 2010, to a Subscriber Qualifying Expenditures incurred during the Expenditure Period equal to the Commitment Amount of such Subscriber, the Corporation shall indemnify such Subscriber as to, and pay to such Subscriber, an amount equal to the amount of any tax payable under the Tax Act (and under any corresponding provincial legislation) by such Subscriber (or if such Subscriber is a partnership, by any member thereof) as a result of such failure, such payment to be made on a timely basis once the amount is definitively determined;
- (i) that the Corporation will maintain its status as a Principal Business Corporation throughout the Expenditure Period;
- (j) if the Corporation amalgamates with any one or more corporations, the Corporation will cause any shares or warrants issued to or held by Subscribers of Flow-Through Units as a replacement for the FT Common Shares as a result of such amalgamation to qualify by virtue of subsection 87(4.4) of the Tax Act as "flow-through shares" as described in subsection 66(15) of the Tax Act and in particular to not be prescribed shares as defined in Regulation 6202.1 of the Regulations to the Tax Act;
- (k) to file on a timely basis all forms required under the Tax Act to effectively renounce Qualifying Expenditures in accordance with the provisions of this Subscription Agreement and the Prospectus and to provide on a timely basis the Subscribers with a copy of all such forms as are required to be provided thereto;

- (l) that all Qualifying Expenditures renounced to the Subscribers pursuant to this Subscription Agreement will be Qualifying Expenditures incurred by the Corporation that, but for the renunciation to the Subscribers, the Corporation would be entitled to deduct in computing its income for the purposes of Part I of the Tax Act;
 - (m) that the Corporation will not be subject to the provisions of subsection 66(12.67) of the Tax Act in a manner which impairs its ability to renounce Qualifying Expenditures to the Subscribers in an amount equal to the Commitment Amount;
 - (n) that the Corporation will refrain from entering into any agreements or transactions, or taking deductions which would otherwise reduce its cumulative CEE to an extent, that would preclude the renunciation of Qualifying Expenditures hereunder in an amount equal to the Commitment Amount as contemplated herein;
 - (o) that the Corporation will not knowingly renounce any of the Qualifying Expenditures to a trust, corporation or partnership with whom the Corporation has a “prohibited relationship” as defined in subsection 66(12.671) of the Act;
 - (p) if the Corporation is required under the Tax Act to reduce Qualifying Expenditures previously renounced to the Subscriber, the Corporation shall make such reduction pro rata by number of Flow-Through Units issued or to be issued pursuant to flow-through Subscription Agreements of even date with this Subscription Agreement provided that the Corporation shall not reduce Qualifying Expenditures renounced under this Subscription Agreement until it has first reduced to the extent possible expenditures renounced pursuant to flow-through share agreements dated after the date of this Subscription Agreement; and
 - (q) the Corporation shall renounce Qualifying Expenditures with respect to this Subscription Agreement and all other flow-through Subscription Agreements of even date with this Subscription Agreement pro rata by number of Flow-Through Units issued or to be issued pursuant thereto before renouncing Qualifying Expenditures pursuant to any flow-through share subscription agreements dated after the date of this Subscription Agreement.
7. Nothing herein shall constitute or be construed to constitute a partnership of any kind whatsoever between the Subscribers or any of them and the Corporation.
 8. The contract arising out of this Subscription Agreement and all documents relating thereto, which by common accord has been and will be drafted in English, shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.
 9. Time shall be of the essence hereof.
 10. The covenants, representations and warranties contained in this Subscription Agreement shall be true and correct as of closing and shall survive the closing of the offering of securities under the Prospectus.
 11. The subscriptions of the Subscribers are further subject to any rights available to the Subscribers under applicable laws.
 12. This Subscription Agreement shall be binding on and enure to the benefit of the Subscribers and the Corporation and their respective heirs, executors, administrators, successors and assigns.

DATED at the City of Calgary, in the Province of Alberta, this ____ day of _____, 2010.

MACQUARIE PRIVATE WEALTH INC.

as duly authorized agent for those Subscribers
whose names are set out on Exhibit "A" attached hereto

Per: _____

**THIS SUBSCRIPTION AND RENUNCIATION AGREEMENT
IS ACCEPTED AND AGREED TO BY THE CORPORATION**

at the City of Calgary, in the Province of Alberta

this ____ day of _____, 2010.

TWOCO PETROLEUMS LTD.

Per: _____

EXHIBIT "A"

TWOCO PETROLEUMS LTD.

Name of Subscriber	Address of Subscriber	Social Insurance No. or Corporate Tax Account No.	Number of Flow-Through Units Subscribed for	Total Subscription Amount @ \$0.25 per Flow-Through Unit

SCHEDULE "B"
Form of Agent's Option Agreement

AGENT'S OPTION AGREEMENT

THIS AGREEMENT is made as of the ___ day of August, 2010.

BETWEEN:

TWOCO PETROLEUMS LTD., a corporation with an office in the City of Calgary, in the Province of Alberta

(the "**Corporation**")

- and -

MACQUARIE PRIVATE WEALTH INC., a corporation with an office in the City of Calgary, in the Province of Alberta

(the "**Agent**")

WHEREAS the Corporation has agreed pursuant to an Agency Agreement dated ♦, 2010, between the Corporation and the Agent, (the "**Agency Agreement**") to grant to the Agent an option to purchase the Agent's Units, as defined below, in consideration of the Agent's services performed under the Agency Agreement;

NOW THEREFORE in consideration of the premises, mutual covenants and agreements herein and therein contained, this Agreement witnesses that and it is understood and agreed by and between the parties hereto as follows:

1. Grant of Option

Subject to the provisions hereinafter contained, the Corporation hereby grants to the Agent an irrevocable non-transferable option (the "**Option**") to purchase up to but not exceeding ♦ Units in the capital of the Corporation (the "**Agent's Units**") of the Corporation, at a price of \$0.23 per Agent's Unit. Each Agent's Unit will consist of one common share in the share capital of the Corporation and one common share purchase warrant ("**Warrant**") of the Corporation with each Warrant entitling the holder thereof to acquire one common share of the Corporation for a period of 24 months from the date of issuance of the Agent's Option at an exercise price of \$0.30 per share.

2. Term of Option

The Agent may exercise the Option on or before 4:30 p.m., Calgary time ("**Expiry Time**"), on ♦, 2012 ("**Expiry Date**") after which time all rights granted hereunder shall terminate.

3. Manner of Exercise

The Agent may exercise the Option in whole or in part, at any time and from time to time, on or prior to the Expiry Time on the Expiry Date, by notice in writing given by the Agent to the Corporation at its address for notice set out in the Agency Agreement, specifying the number of Agent's Units in respect of

which it is exercised and accompanied by a certified cheque for the purchase price of all of the Agent's Units specified in such notice, calculated in accordance with Section 1 hereof.

4. Share and Warrant Certificates

Upon exercise of the Option, the Corporation shall cause the transfer agent and registrar of the Corporation to deliver to the Agent, or as the Agent may otherwise in writing direct in the notice of exercise of option, within five (5) business days following the receipt by the Corporation of payment for the number of Common Shares and Warrants so exercised.

5. No Rights as a Shareholder Until Exercise

Except as provided in Section 8 hereof, the Agent shall have no rights whatsoever as a shareholder (including any rights to receive dividends or any other distribution to shareholders or to vote at a general meeting of shareholders of the Corporation) other than in respect to Common Shares comprising part of the Agent's Units in respect of which the Agent shall have exercised its right to purchase hereunder and which the Agent shall have actually taken up and paid for.

6. Non-Transferable

The rights conferred upon the Agent hereunder shall be non-transferable and non-tradeable.

7. No Fractional Common Shares

No fractional Agent's Units, Warrants or Common Shares will be issued on exercise of this Option, or any compensation made for such fractional Agent's Units, if any.

8. Adjustments in Event of Change in Common Shares

In the event, at any time or from time to time, of a subdivision, consolidation or reclassification of the share capital of the Corporation, the payment of stock dividends by the Corporation or other relevant changes in the capital of the Corporation prior to the exercise by the Agent, in full, of the Option in respect of all of the Agent's Units granted herein, the Option with respect to any Agent's Units which have not been purchased hereunder at the time of any such change to the capital of the Corporation shall be proportionately adjusted so that the Agent shall from time to time, upon the exercise of the Option, be entitled to receive, for the same aggregate exercise price, the number and kind of shares or other securities of the Corporation it would have held following such change in the capital of the Corporation if the Agent had exercised the Option and had held such Agent's Units immediately prior to such change in the capital of the Corporation.

9. Merger, Amalgamation or Sale

If, during the term of the Option, the Corporation shall become merged or amalgamated into or with any other corporation or shall sell the whole or substantially the whole of its assets and undertaking for shares or securities of another corporation, the Corporation will make provision that, upon the exercise of the Option during its unexpired period after the effective date of such merger, amalgamation or sale, the Agent shall receive, for the same aggregate exercise price, such number of Agent's Units of the continuing or successor corporation in such merger or amalgamation or of the securities or shares of the purchasing corporation as it would have received as a result of such merger, amalgamation or sale if the Agent had exercised the Option immediately prior thereto and had held such Agent's Units on the effective date of such merger, amalgamation or sale. Upon such provision being made, the obligation of

the Corporation to the Agent in respect of its Agent's Units then remaining subject to the Option shall terminate and be at an end.

10. Reservation of Shares

The Corporation shall at all times, during the term of this Agreement, reserve and keep available a sufficient number of unissued common shares to satisfy all of the requirements hereof.

11. Entire Agreement

This agreement supersedes all other agreements, documents, writings and verbal understandings among the parties relating to the subject matter hereof and represents the entire agreement between the parties relating to the subject matter hereof. This agreement may be executed by facsimile in any number of counterparts all of which when taken together shall be deemed to be one and the same document and notwithstanding the actual date of execution of each counterpart, this Agreement shall be deemed to be dated as of the date first above written.

12. Enurement

Except as otherwise set forth herein, this Agreement shall be binding upon and enure to the benefit of the respective successors and assigns of the Agent and of the Corporation.

13. Time

Time shall be of the essence of this Agreement.

14. Certain Terms

Terms not defined herein shall have the meanings ascribed to them in the Agency Agreement.

15. 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. Delivery of counterparts may be effected by facsimile transmission or other electronic communication.

IN WITNESS WHEREOF the parties hereto have hereunto executed and delivered this Agreement as of the day and year first above written.

TWOCO PETROLEUMS LTD.

MACQUARIE PRIVATE WEALTH INC.

Per: _____

Per: _____