

AGENCY OFFERING AGREEMENT

THIS AGREEMENT dated for reference July 4, 2012 is made

BETWEEN

SHOAL POINT ENERGY LTD., 65 Queen Street West, Suite 501, Toronto,
ON M5H 2M5

(the "Issuer")

AND

KINGSDALE CAPITAL MARKETS INC., 55 University Avenue, Mezzanine
Level, Suite M002, P.O. Box 47, Toronto, Ontario M5J 2H7 (Fax:
416.867.4565)

(the "Agent")

WHEREAS:

A. The Issuer wishes to raise money for the purposes set forth in its Prospectus, which is to be filed by the Issuer with the Commissions and the Exchange, by offering for sale certain of its securities;

B. The Issuer wishes to appoint the Agent to distribute those securities and the Agent is willing to accept the appointment on the terms and conditions of this Agreement;

THE PARTIES to this Agreement therefore agree:

1. DEFINITIONS

In this Agreement:

- (a) "Agent's Fee" means the fee which is set out in this Agreement and which is payable by the Issuer to the Agent in consideration of the services performed by the Agent under this Agreement;
- (b) "Agent's Warrants" means the common share purchase warrants of the Issuer which will be issued as part of the Agent's Fee and which have the terms provided in this Agreement and the certificates representing such common share purchase warrants;
- (c) "Agent's Warrant Shares" means the previously unissued common shares in the capital of the Issuer, as presently constituted, that may be issued on exercise of the Agent's Warrants;
- (d) "Applicable Legislation" means the securities acts in the Selling Provinces, the regulations and rules made thereunder, and all administrative policy statements, blanket orders, notices, directions and rulings issued by the Commissions;
- (e) "Certificates" means the certificates representing the Shares, Warrants and Agent's Warrants;
- (f) "Closing" means the closing of the purchase and sale, and the issuance by the Issuer, of the Units and FT Shares;

- (g) "Closing Day" means the day which falls 10 business days after the Offering Day or such other date as agreed to by the Agent and the Issuer;
- (h) "Commissions" means the securities commissions in the Selling Provinces;
- (i) "Distribution" means the distribution or sale of the Securities pursuant to this Agreement;
- (j) "Effective Date" means the date on which the Final Receipt is issued;
- (k) "Exchange" means the TSX Venture Exchange Inc.;
- (l) "Final Receipt" means the receipt issued for the final Prospectus by the Principal Regulator pursuant to National Policy 11-202 – *Process for Prospectus Reviews in Multiple Jurisdictions* ("NP 11-202"), representing a final receipt for the Prospectus in each of the Selling Provinces;
- (m) "FT Shares" means a Share which is a "flow-through share" (as defined in Section 66(15) of the ITA) to be offered by the Issuer pursuant to this Agreement including those FT Shares which may be issued pursuant to the Over-allotment Option;
- (n) "ITA" means the Income Tax Act (Canada), together with all the regulations and rules made and promulgated thereunder, all as amended from time to time;
- (o) "Material Change" has the meaning given to the term "material change" in the Applicable Legislation;
- (p) "Material Fact" has the meaning given to the term "material fact" in the Applicable Legislation;
- (q) "Misrepresentation" has the meaning given to the term "misrepresentation" in the Applicable Legislation;
- (r) "Offering" means the offering of the Units and FT Shares under the Prospectus;
- (s) "Offering Day" means a day chosen by the Agent and the Issuer to contract the purchases of any of the Units and FT Shares by the Purchasers;
- (t) "Offering Price" means the price per Unit, and the price per FT Share, agreed to between the Issuer and the Agent prior to filing materials with the Principal Regulator for the Final Receipt;
- (u) "Over-allotment Option" has the meaning defined in section 2.2
- (v) "Preliminary Receipt" means the receipt issued for the preliminary Prospectus by the Principal Regulator;
- (w) "President's List" means a list prepared by the Issuer containing the names, addresses and account numbers, if applicable, of directors, officers, employees and parties related to the directors and officers of the Issuer who will purchase FT Shares or Units, or a combination thereof, under the Offering;
- (x) "Principal Regulator" means the Ontario Securities Commission;
- (y) "Proceeds" means the gross proceeds of the Offering, less:

- (i) that portion of the Agent's Fee which is payable in cash;
 - (ii) the expenses of the Agent in connection with the Offering which have not been repaid by the Issuer; and
 - (iii) any portion of the Offering Proceeds already received by the Issuer.
- (z) "Prospectus" means the preliminary prospectus and the final prospectus filed or intended to be filed by the Issuer with the Regulatory Authorities in connection with the Offering and any amendments to the preliminary prospectus and final prospectus which may be filed with the Regulatory Authorities;
- (aa) "Purchasers" means subscribers for Units or FT Shares under the Prospectus;
- (bb) "Regulatory Authorities" means the Commissions and the Exchange;
- (cc) "Securities" means the Shares, the FT Shares, the Warrants, the Warrant Shares, the Agent's Warrants and the Agent's Warrant Shares;
- (dd) "Selling Group" has the meaning given to that term in Section 16.2;
- (ee) "Selling Provinces" means all the provinces of Canada, except for the Provinces of Prince Edward Island, Quebec, Saskatchewan and (until the Agent or a member of the Selling Group becomes registered under a category which permits the making of the Offering in Newfoundland and Labrador) Newfoundland and Labrador;
- (ff) "Shares" means the previously unissued common shares in the capital of the Issuer, as presently constituted;
- (gg) "Unit" means a unit of the Issuer to be offered by the Issuer pursuant to this Agreement having the terms provided in this Agreement including those units which may be issued pursuant to the Over-allotment Option;
- (hh) "Warrants" means the transferable Share purchase warrants of the Issuer which will be issued as part of the Units and which have the terms provided in this Agreement and the certificates representing such Share purchase warrants; and
- (ii) "Warrant Shares" means the previously unissued common shares in the capital of the Issuer, as presently constituted, which will be issued upon the exercise of the Warrants.

2. APPOINTMENT OF AGENT

2.1 The Issuer appoints the Agent as its exclusive agent and the Agent accepts the appointment and will act as the exclusive agent of the Issuer to offer a minimum of **\$9,000,000** of Units and FT Shares (comprised of any combination of Units and FT Shares) (the "Minimum Offering") for sale under the Prospectus at the Offering Price on a commercially reasonable efforts basis. The maximum Offering shall not exceed **\$25,000,000** of Units and FT Shares (comprised of any combination of Units and FT Shares) (the "Maximum Offering") to be received from the sale of the Units. The Minimum Offering shall also include a minimum amount received from the sale of Units as described in Section 9.1.

2.2 The Agent may solicit and accept subscriptions for additional Units and FT Shares up to a combined maximum of 15% of the Maximum Offering (the "Over-allotment Option").

3. THE OFFERING

The Issuer intends to issue and sell:

- (a) Units of the Issuer, each Unit will consist of one Share and one-half of one Warrant and the Shares and Warrants will be issued and registered in the names of the Purchasers or their nominees; and
- (b) FT Shares, to be issued and registered in the names of the Purchasers or their nominees.

4. WARRANTS

4.1 The right to purchase a Warrant Share under a Warrant may be exercised at any time until the close of business on the day which is 18 months from the Closing Day.

4.2 One whole Warrant will entitle the holder, on exercise, to purchase one Warrant Share at a price per Warrant Share to be agreed between the Agent and the Issuer prior to filing materials with the Principal Regulator for the Final Receipt.

4.3 The certificates representing the Warrants will, among other things, include provisions for the appropriate adjustment in the class, number and price of the Warrant Shares issued upon exercise of the Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Issuer's common shares, the payment of stock dividends and the amalgamation of the Issuer.

4.4 The issue of the Warrants will not restrict or prevent the Issuer from obtaining any other financing, or from issuing additional securities or rights, during the period within which the Warrants may be exercised.

5. FILING OF PROSPECTUS

5.1 The Issuer will cause the Prospectus to be filed with the Regulatory Authorities, will deliver all necessary copies of the Prospectus to the Regulatory Authorities and will use its commercially reasonable best efforts to have the Prospectus accepted by the Regulatory Authorities.

5.2 The Issuer will provide the Agent with as many copies of the Prospectus as the Agent reasonably requests.

5.3 Delivery of the Prospectus and any amendment thereto shall constitute a representation and warranty by the Issuer to the Agent that all material information and material statements (except information and statements relating solely to the Agent) contained in the Prospectus and any amendment thereto are true and correct in all material respects at the time of delivery thereof and contain no Misrepresentations and constitute full, true and plain disclosure of all Material Facts relating to the Issuer and the Securities and that no Material Fact or material information has been omitted therefrom (except facts of information relating solely to the Agent) which is required to be stated therein or is necessary to make statements of material information contained therein not misleading in light of the circumstances under which they were made. Such delivery shall also constitute the Issuer's consent to the Agent's use of the Prospectus, any amendment thereto and any other documents supplied to the Agent by the Issuer for the purpose of the sale of Units and FT Shares in compliance herewith and with the Applicable Legislation.

5.4 The Issuer will comply with all applicable requirements of National Instrument 51-101.

6. LISTING APPLICATION AND CONDUCT OF THE OFFERING

6.1 Prior to the Closing Day, the Issuer will make application to list the Shares, the FT Shares, Warrant Shares, and the Agent's Warrant Shares on the Exchange and conditional approval of such application must be obtained from the Exchange prior to Closing.

6.2 Following the Effective Date and after consulting with the Exchange, the Issuer and the Agent will set the Offering Days.

6.3 The Offering Days will be on or before the earlier of the day which is:

- (a) 90 days after the Effective Date; and
- (b) 12 months after the date of the issue of the Preliminary Receipt.

6.4 The Issuer shall take all commercially reasonable steps to complete and file with the Exchange its application for listing with all other documentation required by the Exchange, to allow for the listing and posting for trading of the common shares of the Issuer on the Exchange, which is to occur no earlier than 10 business days after the Offering Day unless otherwise agreed to by the Agent.

6.5 The Agent will advise the Issuer and its counsel in writing when the Distribution under the Prospectus is complete.

7. OPINIONS AND CERTIFICATES

7.1 On the Effective Date, the Issuer will deliver the following documents to the Agent and its counsel in a form acceptable to them:

- (a) a comfort letter from the auditor of the Issuer, dated as of the date of the Prospectus and addressed to the Agent and its counsel, relating to the accuracy of the financial statements forming part of the Prospectus and the accuracy of the financial, numerical and certain other information disclosed in the Prospectus;
- (b) an opinion of counsel for the Issuer, dated as of the Effective Date and addressed to the Agent and its counsel, relating to any legal matter in connection with the creation, issuance and sale of the Securities for which the Agent may reasonably request an opinion (the "Legal Opinion");
- (c) an opinion of counsel for the Issuer, dated as of the Effective Date and addressed to the Agent and its counsel, relating to the Issuer's title to its material properties (the "Title Opinion")
- (d) a certificate of the Issuer, dated as of the Effective Date and signed by the chief executive officer and chief financial officer of the Issuer or such other officers approved by the Agent, certifying certain facts relating to the Issuer and its affairs (the "Officers' Certificate"); and
- (e) any other certificates, comfort letters or opinions in connection with any matter related to the Prospectus which are reasonably requested by the Agent or its counsel.

7.2 On Closing, the Issuer will provide the Agent and its counsel with evidence of the necessary approval of the Regulatory Authorities for the Offering, the Legal Opinion, the Title Opinion and the Officers' Certificate updated to the Closing.

8. AGENT'S FEE

- 8.1 In consideration of the services performed by the Agent under this Agreement, the Issuer agrees to:
- (a) pay the Agent a commission of 3% of the gross proceeds from the sale of Units and FT Shares to investors on the President's List and 7% of all other gross proceeds of the Offering (including any Units and FT Shares sold under the Over-Allotment Option), whether purchased by the Agent for its own account or for its clients or purchased by other members of the Selling Group for their own accounts or for their clients, payable in lawful Canadian currency (the "Agent's Fee");
 - (b) issue to the Agent (or to members of the Selling Group as directed by the Agent) that number of Agent's Warrants which is equal to 3% of the number of Units and FT Shares sold to investors on the President's List and 7% of the number of all other Units and FT Shares sold (including any Units and FT Shares sold under the Over-Allotment Option); and
 - (c) pay the Agent an advisory fee of \$30,000.

The advisory fee referred to in Section 8.1(c) is conditional upon the occurrence of the Closing.

8.2 In the event that Units and FT Shares are sold by members of the Selling Group, a portion of the Agent's Fee and a portion of the Agent's Warrants which relate to such sales shall be paid and delivered to the Selling Group at Closing as agreed to between the Agent and the members of the Selling Group.

8.3 An Agent Warrant will entitle the holder to purchase one Share.

8.4 The right to purchase Shares under the Agent's Warrants may be exercised at any time up to the close of business 24 months from the date of issue of the Agent's Warrant, at a price equal to the Offering Price.

8.5 The Agent's Warrants will be represented by a certificate, and will be non-transferable except as permitted by the Applicable Legislation and any order granted by the Commissions.

8.6 The terms governing the Agent's Warrants will include, among other things, provisions for the appropriate adjustment in the class, number and price of the Agent's Warrant Shares upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Shares, the payment of stock dividends or the amalgamation of the Issuer.

8.7 The issue of the Agent's Warrants will not restrict or prevent the Issuer from obtaining any other financing, or from issuing additional securities or rights during the period within which the Agent's Warrants are exercisable.

9. MINIMUM SUBSCRIPTION

9.1 The Offering is subject to a minimum subscription of \$9,000,000, together with a minimum amount received from the sale of Units (that amount to be agreed to between the Agent and the issuer prior to filing materials with the Principal Regulator for the Final Receipt).

9.2 All funds received by the Agent for subscription will be held in trust by the Agent or placed in trust with the Issuer's registrar and transfer agent until the minimum subscription has been obtained.

9.3 Notwithstanding any other term of this Agreement, all subscription funds received by the Agent will be returned to the subscribers if the minimum subscription is not obtained by 5:00 p.m. on the last Offering Day permitted under Section 6.3.

10. CLOSING

10.1 The Closing will take place on the Closing Day.

10.2 On Closing the Issuer will deliver the Certificates to the Agent against payment of the Proceeds.

10.3 If the Issuer has satisfied all of its obligations under this Agreement, on Closing the Agent will pay the Proceeds to the Issuer against delivery of the Certificates.

10.4 The obligation of the Agent to pay the Proceeds to the Issuer shall be subject to the following conditions precedent:

- (a) the Issuer shall have performed or complied with each covenant and obligation herein provided on its part to be performed or complied with;
- (b) each of the representations and warranties of the Issuer herein shall continue to be true, and the Officer's Certificate shall contain certification to that effect;
- (c) completion by the Agent of due diligence on the business and affairs of the Issuer, to its reasonable satisfaction;
- (d) receipt of all required regulatory approvals for or acceptances of the Offering; and
- (e) the Issuer shall have, to the satisfaction of the Agent's counsel, taken or caused to be taken all steps and proceedings which may be requisite under the Applicable Legislation to qualify the Distribution of the Securities to the public in the Selling Provinces through registrants who have complied with the provision of the Applicable Legislation, including the filing and the obtaining of the Final Receipt.

11. MATERIAL CHANGES

11.1 If, after the Prospectus is filed with the Regulatory Authorities but before the conclusion of the Distribution, a Material Change or change in a Material Fact occurs in the affairs of the Issuer, the Issuer will:

- (a) notify the Agent immediately, in writing, with full particulars of the change and the Issuer's decision to proceed or terminate the Offering;
- (b) in the event that the Issuer should decide to proceed with the Offering, file with the Regulatory Authorities as soon as practicable, and in any event no later than 10 days after the change occurs, an amendment to the Prospectus in a form acceptable to the Agent disclosing the Material Change; and
- (c) provide as many copies of that amendment to the Agent as the Agent may reasonably request.

11.2 The Issuer shall in good faith discuss with the Agent any fact or change in circumstances (actual and anticipated, contemplated or threatened, whether financial or otherwise) which is of such a nature that there is reasonable doubt as to whether notice in writing need be given to the Agent pursuant to Section 11.1.

12. TERMINATION

12.1 The Agent may terminate its obligations under this Agreement by notice in writing to the Issuer at any time before the Closing if:

- (a) there is an event, accident, governmental law or regulation or other occurrence of any nature which, in the opinion of the Agent, acting reasonably, seriously affects or will seriously affect the financial markets or the business of the Issuer or the ability of the Agent to perform its obligations under this Agreement or an investor's decision to purchase Units;
- (b) an adverse Material Change or change in a Material Fact relating to any of the Securities occurs or is announced by the Issuer;
- (c) following a consideration of the history, business, products, property or affairs of the Issuer or its principals and promoters, or the state of the financial markets in general, or the state of the market for the Issuer's securities in particular, or the possibility of investors exercising their statutory rights to withdraw from a purchase of the Issuer's securities, the Agent determines, in its sole discretion, acting reasonably, that it is not in the interest of investors to complete the Offering;
- (d) the Securities cannot, in the opinion of the Agent, acting reasonably, be marketed due to the state of the financial markets, or the market for the Shares in particular; or
- (e) a material enquiry or investigation (whether formal or informal) in relation to the Issuer, or the Issuer's directors, officers or promoters, is commenced or threatened by an officer or official of any competent authority.

12.2 The Agent may terminate its obligations under this Agreement at any time if:

- (a) any order to cease trading (including communicating with persons in order to obtain expressions of interest) in the securities of the Issuer is made by a competent regulatory authority and that order is still in effect;
- (b) the Issuer is in breach of any material term of this Agreement;
- (c) the Agent determines, acting reasonably, that any of the representations or warranties made by the Issuer in this Agreement is false or has become false.

12.3 The Issuer, at its sole discretion, may terminate this Agreement in writing if the Offering is not completed within 90 days of issuance of the Final Receipt.

12.4 If the Agent or the Issuer exercises its right to terminate this Agreement, then the Issuer will immediately issue a press release setting out particulars of the termination.

12.5 The Agent, at its sole discretion, may terminate this Agreement in writing if a Final Receipt is not issued within 120 days of the reference date of this Agreement.

13. WARRANTIES AND REPRESENTATIONS

13.1 The Issuer warrants and represents to the Agent that:

- (a) the Issuer is a valid and subsisting corporation duly incorporated and in good standing under the laws of the jurisdiction in which it is incorporated, continued or amalgamated;
- (b) the Issuer is duly registered and licenced to carry on business in the jurisdictions in which it carries on business or owns property where so required by the laws of that jurisdiction and is not otherwise precluded from carrying on business or owning property in such jurisdictions by any other commitment, agreement or document;

- (c) the Issuer has full corporate power and authority to carry on its business as now carried on by it and to undertake the Offering and this Agreement has been, or will be by the Closing, duly authorized by all necessary corporate action on the part of the Issuer;
- (d) all of the material transactions of the Issuer have been promptly and properly recorded or filed in its books or records and its minute books or records contain all records of the meetings and proceedings of its directors, shareholders, and other committees, if any, since incorporation;
- (e) the authorized capital of the Issuer is as disclosed in the Prospectus and the issued and outstanding Shares are fully paid and non-assessable and, except as disclosed in the Prospectus, no person has any right, agreement or option, present or future, contingent or absolute, or any right capable of becoming such a right, agreement or option, for the issue or allotment of any unissued Shares or any other security convertible into or exchangeable for any Shares, or to require the Issuer to purchase, redeem or otherwise acquire any of the issued and outstanding Shares in its capital;
- (f) the Issuer will reserve or set aside sufficient Shares in its treasury to issue the Shares, FT Shares, Warrant Shares and Agent's Warrant Shares;
- (g) except as qualified by the Prospectus, the Issuer is the legal and beneficial owner of and has good and marketable title to the properties, business and assets or the interests in the properties, business or assets referred to in the Prospectus; all agreements by which the Issuer holds an interest in a property, business or asset are in good standing according to their terms, and the properties are in good standing under the applicable laws of the jurisdictions in which they are situated and all filings and work commitments required to maintain the properties in good standing have been properly recorded and filed in a timely manner with the appropriate regulatory body and to the knowledge of the Issuer there are no mortgages, liens, charges, encumbrances or any other interests in or on such properties;
- (h) the Prospectus will contain full, true and plain disclosure of all Material Facts in relation to the Issuer, its business and its securities, will contain no Misrepresentations, will be accurate in all material respects and will omit no fact, the omission of which will make such representations misleading or incorrect;
- (i) the audited financial statements of the Issuer which form part of the Prospectus have been prepared in accordance with Canadian generally accepted accounting principles, the interim unaudited financial statements of the Issuer which form part of the Prospectus have been prepared in accordance with International Financial Reporting Standards, and those audited financial statements and unaudited financial statements present fairly, in all material respects, the financial position and all material liabilities (accrued, absolute, contingent or otherwise) of the Issuer as at the date of the financial statements and there have been no adverse material changes in the financial position of the Issuer since the date thereof, and the business of the Issuer has been carried on in the usual and ordinary course consistent with past practice except as fully and plainly disclosed in the Prospectus;
- (j) to the knowledge of the Issuer, the auditors of the Issuer who audited the financial statements of the Issuer for the most recent financial year-end and who provided their audit report thereon are independent public accountants as required under Applicable Legislation and there has never been a reportable disagreement (within the meaning of National Instrument 51-102) with the present auditors of the Issuer;
- (k) the Issuer has complied and will comply fully with the requirements of all applicable corporate and securities laws and administrative policies and directions, including, without limitation, Applicable Legislation and its regulations and the Business Corporations Act

(Ontario) in relation to the issue and trading of its securities and in all matters relating to the Offering;

- (l) the Issuer is in compliance with all applicable laws, regulations and statutes (including all environmental laws and regulations) in the jurisdictions in which it carries on business and which may materially affect the Issuer, has not received a notice of non-compliance, nor knows of, nor has reasonable grounds to know of, any facts that could give rise to a notice of non-compliance with any such laws, regulations and statutes, and is not aware of any pending change or contemplated change to any applicable law or regulation or governmental position that would materially affect the business of the Issuer or the business or legal environment under which the Issuer operates;
- (m) the Issuer has not caused or permitted the release, in any manner whatsoever, of any pollutants, contaminants, chemicals or industrial toxic or hazardous waste or substances (collectively, the "Hazardous Substances") on or from any of its properties or assets nor has it received any notice that it is potentially responsible for a clean-up site or corrective action under any applicable laws, statutes, ordinances, by-laws, regulations, or any orders, directions or decisions rendered by any government, ministry, department or administrative regulatory agency relating to the protection of the environment, occupational health and safety or otherwise relating to dealing with Hazardous Substances;
- (n) the issue and sale of the Securities by the Issuer does not and will not conflict with, and does not and will not result in a breach of, or constitute a default under (A) any statute, rule or regulation applicable to the Issuer including, without limitation, the Applicable Legislation; (B) the constating documents, by-laws or resolutions of the Issuer which are in effect at the date hereof; (C) any agreement, debt instrument, mortgage, note, indenture, instrument, lease or other document to which the Issuer is a party or by which it is bound; or (D) any judgment, decree or order binding the Issuer or the property or assets of the Issuer;
- (o) except as disclosed in the Prospectus, the Issuer is not a party to any actions, suits or proceedings which could materially affect its business or financial condition, and no such actions, suits or proceedings are contemplated or have been threatened;
- (p) to the knowledge of the Issuer, the Issuer is not subject to any land disputes, claims, demands or any other form of dispute with any aboriginal group and the Issuer has not received notice that any such claims, demands or other form of dispute with any aboriginal group have been threatened;
- (q) there are no judgments against the Issuer which are unsatisfied, nor are there any consent decrees or injunctions to which the Issuer is subject;
- (r) there is not presently, and will not be until the conclusion of the Distribution, any Material Change or change in any Material Fact relating to the Issuer which has not been or will not be fully disclosed in the Prospectus;
- (s) no order ceasing, halting or suspending trading in securities of the Issuer or prohibiting the sale of such securities has been issued to and is outstanding against the Issuer or its directors, officers or promoters and no investigations or proceedings for such purposes are pending or threatened;
- (t) the Issuer has filed all federal, provincial, local and foreign tax returns which are required to be filed, or has requested extensions thereof, and has paid all taxes required to be paid by it and any other assessment, fine or penalty levied against it, or any amounts due and payable to any governmental authority, to the extent that any of the foregoing is due and payable;

- (u) the Issuer has established on its books and records reserves which are adequate for the payment of all taxes not yet due and payable and there are no liens for taxes on the assets of the Issuer except for taxes not yet due, and there are no audits of any of the tax returns of the Issuer which are known by the Issuer's management to be pending, and there are no claims which have been or may be asserted relating to any such tax returns which, if determined adversely, would result in the assertion by any governmental agency of any deficiency which would have a material adverse effect on the properties, business or assets of the Issuer;
- (v) the Issuer owns or possesses adequate rights to use all material patents, trademarks, service marks, trade names, copyrights, trade secrets, information, proprietary rights and other intellectual property, if any, necessary for the business of the Issuer now conducted and proposed to be conducted, without any conflict with or infringement of the rights of others. The Issuer has received no communication alleging that the Issuer has violated or, by conducting its business as proposed, would violate any of the patents, trademarks, service marks, trade names, copyrights or trade secrets or other proprietary rights of any other person or entity;
- (w) except as disclosed in the Prospectus, the Issuer does not have any loans or other indebtedness outstanding which has been made to any of its shareholders, officers, directors or employees, past or present, or any person not dealing at "arm's length" (as such term is used in the ITA);
- (x) at least until the date that is 24 months from the Closing, the Issuer shall not take any action which would be reasonably expected to result in the delisting or suspension of its common shares on or from the Exchange or on or from any stock exchange, market or trading or quotation facility on which its common shares are listed or quoted and the Issuer shall comply, in all material respects, with the rules and regulations thereof;
- (y) other than the Agent, no person, firm or corporation acting or purporting to act at the request of the Issuer is entitled to any brokerage, agency or finder's fee in connection with the transactions described herein; and
- (z) the warranties and representations in this Subsection are true and correct and will remain so as of the conclusion of the distribution under the Prospectus.

13.2 The Agent warrants and represents to the Issuer that:

- (a) it is a valid and subsisting corporation under the law of the jurisdiction in which it was incorporated, continued or amalgamated;
- (b) it is a member in good standing of the Exchange;
- (c) it has complied with and will fully comply with the requirements of all applicable securities laws, including, without limitation, the Applicable Legislation, its rules and regulations and the by-laws and rules of the Exchange, in relation to trading in the Securities and all matters relating to the Offering;
- (d) it will conduct activities in connection with arranging for the sale and distribution of the Units and FT Shares in compliance with all Applicable Securities Laws and the provisions of this Agreement;
- (e) it will notify the Issuer when, in its opinion, the distribution of the Units and FT Shares and, if applicable, the Units and FT Shares pursuant to the Over-allotment Option, shall have ceased and provide a breakdown of the number of Units and FT Shares sold, and the

distribution in each Selling Jurisdiction where such breakdown is required for the purpose of calculating fees payable to a Commission;

- (f) it will not make use of any “greensheet” in respect of the Issuer and the Offering without the prior approval of the Issuer;
- (g) it will not make any representation or warranty with respect to the Issuer other than as set forth in this Agreement, and the Prospectus without the prior approval of the Issuer;
- (h) it has good and sufficient rights to enter into this Agreement and to complete the transactions contemplated under this Agreement;
- (i) it will refrain from advertising the Securities in (A) printed public media of general and regular paid circulation, (B) radio, (C) television or (D) telecommunications, including electronic display without the consent of the Issuer, such consent to be promptly considered and not to be unreasonably withheld;
- (j) it will comply with, and ensure that its directors, officers, employees and affiliates comply with all applicable market stabilization rules and requirements of the Commissions and applicable securities law applicable to the Offering, including without limitation, Applicable Legislation; and
- (k) it is and will be, at the Closing, duly registered under applicable securities laws, including without limitation, Applicable Legislation, under a category that permits it to sell the Securities in the Selling Jurisdictions.

14. EXPENSES OF AGENT

14.1 The Issuer will pay all of the expenses of the Offering and all the expenses reasonably incurred by the Agent in connection with the Offering including, without limitation, the fees and expenses of the solicitors for the Agent. The fees for the Agent’s solicitors shall be capped at \$25,000 plus disbursement and HST. Upon execution of this Agreement, the Issuer agrees to pay \$10,000 to the Agent as a deposit to be applied by the Agent against expenses payable by the Issuer under this Section.

14.2 The Issuer will pay the expenses referred to in Section 14.1 even if the Prospectus and this Agreement are not accepted by the Regulatory Authorities or the transactions contemplated by this Agreement are not completed or this Agreement is terminated, unless the failure of acceptance or completion or the termination is the result of a breach of this Agreement by the Agent.

14.3 The Agent may, from time to time, render accounts to the Issuer for its expenses for payment on the dates set out in the accounts.

14.4 The Issuer authorizes the Agent to deduct its reasonable expenses in connection with the Offering from the proceeds of the Offering, including expenses for which an account has not yet been rendered to the Issuer.

15. INDEMNITY

15.1 The Issuer and its affiliated companies, as the case may be, (collectively, the “Indemnitor”) hereby agrees to indemnify and hold the Agent, and its affiliates, and each of their directors, officers, employees and agents (hereinafter referred to as the “Personnel”) harmless from and against any and all expenses, losses (other than loss of profits), fees, claims, actions (including shareholder actions, derivative actions or otherwise), damages, obligations, or liabilities, whether joint or several, and the reasonable fees and expenses of their counsel, that may be incurred in advising with respect to and/or defending any actual or

threatened claims, actions, suits, investigations or proceedings to which the Agent and/or its Personnel may become subject or otherwise involved in any capacity under any statute or common law, or otherwise insofar as such expenses, losses, claims, damages, liabilities or actions arise out of or are based, directly or indirectly, upon the performance of professional services rendered to the Indemnitor by the Agent and its Personnel hereunder, or otherwise in connection with the matters referred to in this Agreement (including the aggregate amount paid in reasonable settlement of any such actions, suits, investigations, proceedings or claims that may be made against the Agent and/or its Personnel, provided that the Indemnitor has agreed to such settlement), provided, however, that this indemnity shall not apply to the extent that a court of competent jurisdiction in a final judgment that has become non-appealable shall determine that:

- (a) the Agent and/or its Personnel have been negligent or have committed wilful misconduct or any fraudulent act in the course of such performance; and
- (b) the expenses, losses, claims, damages or liabilities, as to which indemnification is claimed, were directly caused by the negligence, wilful misconduct or fraud referred to in Section 15.1(a).

15.2 Without limiting the generality of the foregoing, this indemnity shall apply to all expenses (including legal expenses), losses, claims and liabilities that the Agent may incur as a result of any action or litigation that may be threatened or brought against the Agent.

15.3 If for any reason (other than the occurrence of any of the events itemized in Section 15.1(a) and 15.1(b) above), the foregoing indemnification is unavailable to the Agent or any Personnel or insufficient to hold the Agent or any Personnel harmless, then the Indemnitor shall contribute to the amount paid or payable by the Agent or any Personnel as a result of such expense, loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by the Indemnitor on the one hand and the Agent or any Personnel on the other hand but also the relative fault of the Indemnitor and the Agent or any Personnel, as well as any relevant equitable considerations; provided that the Indemnitor shall in any event contribute to the amount paid or payable by the Agent or any Personnel as a result of such expense, loss, claim, damage or liability and any excess of such amount over the amount of the fees received by the Agent hereunder.

15.4 The Indemnitor agrees that in case any legal proceeding shall be brought against the Indemnitor and/or the Agent by any governmental commission or regulatory authority or any stock exchange or other entity having regulatory authority, either domestic or foreign, or shall investigate the Indemnitor and/or the Agent, and/or any Personnel of the Agent shall be required to testify in connection therewith or shall be required to respond to procedures designed to discover information regarding, in connection with, or by reason of the performance of professional services rendered to the Indemnitor by the Agent, the Agent shall have the right to employ its own counsel in connection therewith provided the Agent acts reasonably in selecting such counsel, and the reasonable fees and expenses of such counsel as well as the reasonable costs (including an amount to reimburse the Agent for time spent by the Agent's Personnel in connection therewith) and out-of-pocket expenses incurred by their Personnel in connection therewith shall be paid by the Indemnitor as they occur.

15.5 Promptly after receipt of notice of the commencement of any legal proceeding against the Agent or any of the Agent's Personnel or after receipt of notice of the commencement or any investigation, which is based, directly or indirectly, upon any matter in respect of which indemnification may be sought from the Indemnitor, the Agent will notify the Indemnitor in writing of the commencement thereof and, throughout the course thereof, will provide copies of all relevant documentation to the Indemnitor, will keep the Indemnitor advised of the progress thereof and will discuss with the Indemnitor all significant actions proposed. However, the failure by the Agent to notify the Indemnitor will not relieve the Indemnitor of its obligations to indemnify the Agent and/or any Personnel. The Indemnitor shall, on behalf of itself and the Agent and/or any Personnel, as applicable, be entitled to (but not required to) assume the defence of any suit brought to enforce such legal proceeding; provided, however, that the defence shall be conducted through legal counsel acceptable to the Agent and/or any Personnel, as applicable, acting reasonably, that no settlement of any such legal proceeding may be made by the Indemnitor without the prior written consent of the Agent

and/or any Personnel, as applicable, and none of the Agent and/or any Personnel, as applicable, shall be liable for any settlement of any such legal proceeding unless it has consented in writing to such settlement, such consent not to be unreasonably withheld. The Agent and its Personnel shall have the right to appoint its or their own separate counsel at the Indemnitor's cost provided the Agent acts reasonably in selecting such counsel.

15.6 The indemnity and contribution obligations of the Indemnitor shall be in addition to any liability which the Indemnitor may otherwise have, shall extend upon the same terms and conditions to the Personnel of the Agent and shall be binding upon and enure to the benefit of any successors, assigns, heirs and personal representatives of the Indemnitor, the Agent and any of the Personnel of the Agent. The foregoing provisions shall survive the completion of professional services rendered under this Agreement or any termination of this Agreement.

16. ASSIGNMENT AND SELLING GROUP PARTICIPATION

16.1 The Agent will not assign this Agreement or any of its rights under this Agreement or, with respect to the Securities, enter into any agreement in the nature of an option or a sub-option unless and until, for each intended transaction, the Agent has obtained the consent of the Issuer and notice has been given to and accepted by the Regulatory Authorities.

16.2 The Agent may offer selling group participation in the normal course of the brokerage business to other licensed dealers, brokers and investments dealers (the "Selling Group") who shall be entitled to the commissions or warrants as are provided for under Section 8.2. The commission and warrants payable to such sub-agents shall be determined by, and be for the account of, the Agent.

17. RIGHT OF FIRST REFUSAL

17.1 Subject to the Offering being completed, the Agent shall have a first right of refusal to act as the Issuer's agent, underwriter, or advisor on any subsequent brokered equity financing proposed to be undertaken by the Issuer (a "Future Financing"). The right shall be in effect during the 24 month period immediately following the Closing Day. The right shall apply irrespective of the nature of the Future Financing including, without limitation, a public offering, private placement, or otherwise. For greater certainty, the right shall include, without limitation, the right of the Agent to act as the agent, the right of the Agent to be part of a syndicate group, and the right of the Agent to participate in a portion of the Future Financing to be mutually agreed upon by the Agent and the Issuer.

17.2 The Agent shall have a period of four (4) business days from the date of receipt of written notice from the Issuer of any such proposed Future Financing to provide written notice to the Issuer that the Agent intends to exercise its right to participate in such Future Financing. Such notice from the Issuer shall set out in detail the terms of such Future Financing. If the Agent either elects not to participate in the Future Financing or fails to give notice within four (4) business days of the receipt of the Issuer's notice (a "Waived Transaction"), the Issuer may then make other arrangements to engage another source to obtain financing on terms no less favourable to the Issuer for a period of forty-five (45) days thereafter. The Agent's failure to exercise its right in respect of any one or more Future Financing will not constitute a waiver of its right in respect of any other Future Financing. If another source is not engaged in connection with a Waived Transaction within the 45 day period referred to above, the transaction shall be deemed to be a new Future Financing requiring the Issuer to give written notice to the Agent as set forth above.

17.3 Any fees payable to the Agent pursuant to this Article 17 shall be mutually agreed upon in good faith by the Agent and the Issuer and will reflect compensation paid to other full-service North American investment dealers for similar services based on the size of the Issuer and/or Future Financing, and customary expense reimbursements.

17.4 Notwithstanding the foregoing, the Issuer shall have the right to restrict the participation of the Agent in any Future Financing to an amount which is equal to or greater than 30% of the Future Financing;

provided that the exercise of that right shall be set out in the notice delivered by the Issuer under Section 17.2.

18. NOTICE

18.1 Any notice under this Agreement will be given in writing and must be delivered, sent by facsimile transmission or mailed by prepaid post and addressed to the party to which notice is to be given at the address indicated above, or at another address designated by such party in writing.

18.2 If notice is sent by facsimile transmission or is delivered, it will be deemed to have been given at the time of transmission or delivery.

18.3 If notice is mailed, it will be deemed to have been received 48 hours following the date of mailing of the notice.

18.4 If there is an interruption in normal mail service due to strike, labour unrest or other cause at or prior to the time a notice is mailed the notice will be sent by facsimile transmission or will be delivered.

19. TIME

Time is of the essence of this Agreement and will be calculated in accordance with the provisions of the *Interpretation Act* (Ontario).

20. SURVIVAL OF REPRESENTATIONS AND WARRANTIES

The representations, warranties, covenants and indemnities of the parties contained in this Agreement will survive the closing of the purchase and sale of the Securities.

21. LANGUAGE

Wherever a singular or masculine expression is used in this Agreement, that expression is deemed to include the plural, feminine or the body corporate where required by the context.

22. ENUREMENT

This Agreement enures to the benefit of and is binding on the parties to this Agreement and their successors and permitted assigns.

23. HEADINGS

The headings in this Agreement are for convenience of reference only and do not affect the interpretation of this Agreement.

24. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement and supersedes any other previous agreement between the parties with respect to the Offering and there are no other terms, conditions, representations or warranties whether express, implied, oral or written by the Issuer or the Agent.

25. COUNTERPARTS

This Agreement may be signed by fax and in counterpart, and each copy so signed shall be deemed to be an original, and all such counterparts together shall constitute one and the same instrument.

26. LAW

This Agreement and its application and interpretation will be governed exclusively by the laws prevailing in Ontario. The parties to this Agreement consent to the jurisdiction of the courts of Ontario, which courts shall have exclusive jurisdiction over any dispute of any kind arising out of or in connection with this Agreement.

This Agreement was executed and delivered as of the date given above.

SHOAL POINT ENERGY LTD.

Per: *"George Langdon" (signed)*

Authorized Signatory

Per: *"R. Brian Murray" (signed)*

Authorized Signatory

KINGSDALE CAPITAL MARKETS INC.

Per: *"Peter Notidis" (signed)*

Authorized Signatory