

NORTHERN FINANCIAL CORPORATION
AND
NORTHERN SECURITIES INC. AND BYRON CAPITAL MARKETS LTD.

AGENCY AGREEMENT
FEBRUARY 25, 2011

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AGENCY AGREEMENT

February 25, 2011

NORTHERN FINANCIAL CORPORATION
Suite 2020
145 King Street West
Toronto, ON M5H 1J8

Dear Sirs:

Northern Securities Inc. (“**Northern Securities**”) and Byron Capital Markets Ltd. (“**Byron**” and collectively with Northern Securities, the “**Agents**” and each individually, an “**Agent**”) understand that Northern Financial Corporation (the “**Company**”) proposes to issue and sell a minimum of 6,666,667 and a maximum of 16,666,667 common shares of the Company (“**Common Shares**”) at a price of \$0.30 per Common Share for aggregate gross proceeds of up to approximately \$5,000,000 (the “**Offering**”) and further that the Company wishes to appoint the Agents as agents for the Offering on an exclusive basis as set forth in this agreement.

In addition, the Company has also agreed to grant the Agents an option (the “**Agents’ Option**”), exercisable by the Agents, for additional Common Shares up to a maximum of 15% of the Common Shares sold under the Offering (the “**Additional Shares**”) at a price of \$0.30 per Common Share. The Agents’ Option will be exercisable, in whole or in part, at the sole discretion of the Agents, until the 60th day following the Closing Date.

The Company has agreed to issue to the Agents broker warrants (collectively, the “**Broker Warrants**”) which entitle the Agents to purchase an aggregate number of common shares (the “**Broker Shares**”) equal to 7% of the number of Common Shares sold in the Offering (including the Additional Shares issuable upon the exercise of the Over-Allotment Option) at the price of \$0.30 at any time until the day that is 24 months after the Closing Date.

The Common Shares, Additional Shares, Broker Warrants and Broker Shares are collectively referred to as the “**Offered Securities**”.

Concurrently with the Offering, the Company will issue (the “**Shares-for-Debt Offering**”) on the Closing Date a maximum of 7,633,333 common shares of the Company (the “**Payment Shares**”) to up to 50 creditors, business partners and suppliers of the Company (collectively, the “**Creditors**”). The Payment Shares will be issued to Creditors, without further consideration, on the terms and conditions of conditional agreements entered into between the Company and the Creditors for the settlement of a maximum of \$2,290,000 in debt of the Company. Each Payment Share will be issued at a price of \$0.30 per Payment Share. Neither of the Agents will act as an agent in respect of any Payment Shares issued under the Shares-for-Debt Offering nor will either of the Agents be entitled to any compensation in respect of such securities.

By their signatures herein, the Agents accept such appointment on the basis that the Agents act as agents only and are under no obligation to purchase any of the Offered Securities

as principal, although any Agent may, at its sole discretion, subscribe for and purchase Offered Securities.

The Offered Securities will be distributed in each of the provinces of Canada, except Quebec, Prince Edward Island and Newfoundland, by the Agents pursuant to the Final Prospectus (as defined below), in the United States on a private placement basis by their U.S. Affiliates (as defined below) to purchasers who are institutional “accredited investors” who satisfy one of the criteria set forth in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the *U.S. Securities Act* (as defined below) pursuant to the U.S. Placement Memorandum (defined below). Subject to applicable law, including U.S. Securities Laws (as defined below) and the terms of this agreement, the Offered Securities may also be distributed by the Agents outside of Canada and the United States where they may be lawfully sold on a basis exempt from the prospectus and registration requirements of any such jurisdictions.

The Agents and the Company acknowledge that Schedule “A” forms part of this agreement.

In consideration for their services hereunder, the Company agrees to pay to the Agents the commission, fees and other consideration set forth in this agreement.

The following are the terms and conditions of the agreement between the Company and the Agents:

TERMS AND CONDITIONS

ARTICLE 1 DEFINITIONS AND PRINCIPLES OF INTERPRETATION

1.1 In this agreement, in addition to the terms defined above in this agreement (which are intended to apply throughout this agreement):

“**Act**” means the *Securities Act* (Ontario), as now in effect and as may be amended from time to time prior to each applicable Closing Date;

“**Additional Shares**” has the meaning given to it in the second paragraph of this agreement;

“**affiliate**” has the meaning given to it in section 1.2 of National Instrument 45-106 – *Prospectus and Registration Exemptions*;

“**Agency Fee**” has the meaning given to it in Section 14.1 of this agreement;

“**Agent**” and “**Agents**” have the respective meanings given to them in the first paragraph of this agreement;

“**Agents’ Counsel**” means Fasken Martineau DuMoulin LLP;

“**Agents’ Option**” has the meaning given to it in the second paragraph of this agreement;

“**Agents’ Option Closing Date**” means the third Business Day after notice of exercise of the Agents’ Option is delivered to the Company, or any earlier or later date as may be agreed to in writing by the Company and the Agents, each acting reasonably;

“**Agents’ Option Closing Time**” means 8:00 am (Toronto time) on the Agents’ Option Closing Date;

“**Applicable Securities Laws**” means the Canadian Securities Laws and the U.S. Securities Laws and the securities legislation and regulations of each other relevant jurisdiction together with applicable published policy statements of the securities commissions or regulatory authorities in such other jurisdictions;

“**Broker Shares**” has the meaning given to it in the third paragraph of this agreement;

“**Broker Warrant Certificate**” means a warrant certificate evidencing the Broker Warrants issued to the Agents in connection with the Offering;

“**Broker Warrants**” has the meaning given to it in the third paragraph of this agreement;

“**Business**” means the business presently and heretofore carried on by the Company and its subsidiaries as a going concern, all operations related thereto and the intangible goodwill associated therewith and any and all interests of whatsoever kind and nature related thereto;

“**Business Day**” means any day other than a Saturday, Sunday or statutory holiday in the city of Toronto, Ontario;

“**Canadian Securities Laws**” means, collectively, and, as the context may require, the securities statutes of each of the Qualifying Provinces and the respective regulations and rules made under those securities statutes together with all applicable published policy statements, blanket orders and instruments of the Canadian Securities Regulators and all discretionary orders or rulings, if any, of the Canadian Securities Regulators applicable to the transactions contemplated by this agreement;

“**Canadian Securities Regulators**” means the applicable securities commission or regulatory authority in each of the Qualifying Provinces;

“**Claim**” has the meaning given to it in Section 16.1 of this agreement;

“**Closing**” means the completion of the issue and sale by the Company of the Offered Securities (other than the Additional Shares) pursuant to this agreement;

“**Closing Date**” means March 15, 2011, or such other date to be agreed upon by the Company and the Agents, but not later than the Latest Closing Date;

“**Closing Time**” means 8:00 am (Toronto time) on the Closing Date, or such other time on the Closing Date as may be agreed to by the Company and the Agents each acting reasonably;

“**Common Share**” has the meaning given to it in the first paragraph of this agreement;

“**Company**” means Northern Financial Corporation;

“**Company’s Counsel**” means Fogler Rubinoff LLP;

“**Company’s Information Record**” means any statement contained in any press release, material change report, financial statement, annual information form, annual or interim report, proxy circular or other document of the Company which has been or is publicly disseminated by or with the consent of the Company, whether pursuant to any Canadian Securities Laws or otherwise, and which has been filed on the System for Electronic Document Analysis and Retrieval;

“**Contract**” means any written or oral agreement, indenture, contract, lease, sublease, deed of trust, licence, option, or other legally enforceable obligation of or in favour of the applicable Person;

“**distribution**” means for the purposes of Canadian Securities Laws or any of them, distribution or distribution to the public, as the case may be;

“**Debt Instrument**” means any loan, bond, debenture, promissory note, credit facility or other instrument evidencing indebtedness (demand or otherwise) for borrowed money or other liability;

“**Documents Incorporated by Reference**” means (i) the annual information form of the Company dated June 22, 2010 in respect of the fiscal year ended March 31, 2010, (ii) the management information circular of the Company dated August 13, 2010 with respect to the annual and special meeting of shareholders of the Company held on September 16, 2010, (iii) the material change report of the Company dated April 5, 2010, announcing the closing of the first tranche of a private placement and gypsy swap of the Company’s securities, (iv) the material change report of the Company dated April 28, 2010, announcing the closing of the second tranche of a private placement and gypsy swap of the Company’s securities, (v) the material change report of the Company dated December 29 2010 in respect of the filing of amended interim financial statements for the three months ended June 30, 2010 and the six months ended September 30, 2010 (vi) the Financial Information, and (vii) all other documents incorporated or deemed to be incorporated by reference into the Prospectuses or Prospectus Amendments by Canadian Securities Laws;

“**Expiry Date**” means the second anniversary of the Closing Date;

“**Financial Information**” means, collectively, (i) the audited financial statements of the Company, including the notes with respect thereto, for the fiscal years ended March 31, 2010 and 2009, (ii) the unaudited interim financial statements of the Company, including the notes with respect thereto, for the three month periods ended September 30, 2010 and 2009, (iii) management’s discussion and analysis of the Company for the fiscal year ended March 31, 2010 and (iv) management’s discussion and analysis of the Company for the three month periods ended September 30, 2010 and 2009;

“**Governmental Entity**” means any (i) federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign, (ii) subdivision, agents, commission, board, or authority of any of the foregoing, or (iii) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under, or for the account of, any of the foregoing;

“**including**” means including without limitation and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it;

“**Indemnified Party**” and “**Indemnified Parties**” have the meanings given to those terms in Section 16.1 of this agreement;

“**Latest Closing Date**” means April 29, 2011.

“**Law**” means any federal, provincial, state or municipal law, statute, ordinance, regulation, rule, by-law, judgment, decree, order or award of any authority of competent jurisdiction;

“**Lien**” means any encumbrance or title defect of whatever kind or nature, regardless of form, whether or not registered or registrable and whether or not consensual or arising by law (statutory or otherwise), including any mortgage, lien, charge, pledge or security interest, whether fixed or floating, or any assignment, lease, option, right of pre-emption, privilege, encumbrance, easement, hypothec, pledge, title retention agreement, reservation of title, servitude, right of way, restrictive covenant, right of use or any matter capable of registration against title or any other right or claim of any kind or nature whatever which affects ownership or possession of, or title to, any interest in, or the right to use or occupy property or assets;

“**Material Adverse Effect**” means the effect resulting from any event or change which has a material and adverse effect on the business, affairs, capital, operations or assets of the Company and Northern Securities, taken as a whole;

“**Material Agreement**” means any material Debt Instrument, indenture, contract, commitment, agreement (written or oral), instrument, lease or other document, to which the Company is a party;

“**material change**” means a material change for the purposes of Canadian Securities Laws or any of them, or where undefined under the Canadian Securities Laws of an Offering Jurisdiction means a change in the business, operations, or capital of the Company, on a consolidated basis (if applicable), that would reasonably be expected to have a significant effect on the market price or value of the Common Shares, and includes a decision to implement such a change made by the directors of the Company;

“**material fact**” means a material fact for the purposes of Canadian Securities Laws or any of them, or where undefined under the Canadian Securities Laws of an Offering

Jurisdiction means a fact that would reasonably be expected to have a significant effect on the market price or value of the Common Shares;

“**misrepresentation**” means a misrepresentation for the purposes of the Canadian Securities Laws or any of them, or where undefined under the Canadian Securities Laws of an Offering Jurisdiction means: (i) an untrue statement of a material fact, or (ii) an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made;

“**NI 11-102**” means National Instrument 11-102 – *Passport System* of the Canadian Securities Administrators;

“**NP 11-202**” means National Policy 11-202 – *Process for Prospectus Reviews in Multiple Jurisdictions* of the Canadian Securities Administrators;

“**Northern Securities**” means Northern Securities Inc.;

“**Offered Securities**” has the meaning given to it in the fourth paragraph of this agreement;

“**Offering**” has the meaning given to it in the first paragraph of this agreement;

“**Offering Documents**” means, collectively, the Preliminary Prospectus, the Final Prospectus, any Prospectus Amendment and any Supplemental Material;

“**Offering Jurisdictions**” means the Qualifying Provinces, the United States, and certain other offshore jurisdictions;

“**Offering Price**” means \$0.30 for one Common Share;

“**Outstanding Convertible Securities**” means all options granted to or by the Company (whether put or call options), including options granted or proposed to be granted to officers, directors, employees or consultants, share purchase or acquisition rights or warrants and other convertible securities of the Company outstanding as at the date of this agreement, whether issued pursuant to an established plan or otherwise;

“**Passport System**” means the system for prospectus review created under NI 11-102 and NP 11-202;

“**Payment Shares**” has the meaning given to it in the fifth paragraph of this agreement;

“**Person**” or “**person**” means a natural person, partnership, limited partnership, limited liability partnership, syndicate, sole proprietorship, corporation or company (with or without share capital), limited liability company, trust, unincorporated association, joint venture or other entity or authority;

“**Preliminary Prospectus**” and “**Final Prospectus**” mean, respectively, the preliminary short form prospectus of the Company dated November 19, 2010 and the (final) short

form prospectus of the Company dated the date hereof, relating to, inter alia, the distribution of the Offered Securities and the Offering and in each case any and all Documents Incorporated by Reference therein;

“**Prospectus Amendment**” means any amendment to either the Preliminary Prospectus or the Final Prospectus required to be prepared and filed by the Company under Canadian Securities Laws in connection with the Offering;

“**Prospectuses**” means, collectively, the Preliminary Prospectus and Final Prospectus;

“**Purchasers**” means the purchasers of the Offered Securities;

“**Qualifying Provinces**” means, collectively, all each province of Canada except Quebec, Prince Edward Island and Newfoundland;

“**Regulation D**” means Regulation D adopted by the SEC under the *U.S. Securities Act*;

“**Regulation S**” means Regulation S adopted by the SEC under the *U.S. Securities Act*;

“**SEC**” means the U.S. Securities and Exchange Commission;

“**Standard Listing Conditions**” has the meaning given to it in Section 4.3(c) of this agreement;

“**subsidiary**” has the meaning given to it in National Instrument 45-106 – *Prospectus and Registration Exemptions*;

“**Sub-Agents**” has the meaning given to it in Section 2.2 of this agreement;

“**Supplementary Material**” means, collectively, any Prospectus Amendment, or any amendment or supplemental prospectus or ancillary materials of the Company that may be filed by or on behalf of the Company under Canadian Securities Laws relating to the qualification for distribution of the Offered Securities and the Payment Shares;

“**Tax Act**” means the *Income Tax Act* (Canada);

“**TSX**” means the Toronto Stock Exchange;

“**United States**” means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

“**U.S. Affiliate**” means the U.S. registered broker-dealer affiliate of an Agent that is named in the form of U.S. subscription agreement;

“**U.S. Exchange Act**” means the *United States Securities Exchange Act of 1934*, as amended;

“**U.S. Placement Memorandum**” means the U.S. private placement memorandum, in a form satisfactory to the Agents, acting reasonably, the preliminary version of which was

attached to a copy of the Preliminary Prospectus and the final version of which will be attached to the Final Prospectus, to be delivered to offerees and purchasers of the Offered Securities in the United States by the U.S. Affiliates pursuant to Rule 506 of Regulation D in accordance with Schedule “A” hereto;

“**U.S. Securities Act**” means the *United States Securities Act of 1933*, as amended;

“**U.S. Securities Laws**” means all applicable securities legislation in the United States, including the *U.S. Securities Act*, the *U.S. Exchange Act* and the rules and regulations promulgated thereunder, and any applicable state securities laws;

- 1.2 *Headings, etc.* The division of this agreement into sections, subsections, paragraphs and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this agreement. Unless something in the subject matter or context is inconsistent therewith, references herein to sections, subsections, paragraphs and other subdivisions are to sections, subsections, paragraphs and other subdivisions of this agreement.
- 1.3 *Statutes.* Unless the context otherwise requires, any reference to a statute shall be deemed to include regulations made pursuant thereto, all amendments in force from time to time, and any statute or regulation that may be passed that has the effect of supplementing or superseding the statute or regulation referred to.
- 1.4 *Singular/plural and gender.* Unless otherwise expressly provided in this agreement, words importing only the singular number include the plural and vice versa and words importing gender include all genders.
- 1.5 *Currency.* Except as otherwise indicated, all amounts expressed herein in terms of money refer to lawful currency of Canada and all payments to be made hereunder shall be made in such currency.

ARTICLE 2 APPOINTMENT OF AGENTS

- 2.1 *Appointment of Agents.* The Company appoints the Agents as its sole and exclusive agents to effect the Offering and the Agents agree severally, but not jointly and severally, to act, directly or through their U.S. Affiliates (in accordance with Schedule “A”) as agents for such purpose. The Agents agree to offer the Offered Securities for sale, as agents of the Company, directly and through their respective U.S. Affiliates (in accordance with Schedule “A”), in the manner contemplated by and subject to the terms and conditions of this agreement, to the Purchasers. The Agents will use commercially reasonable efforts to offer the Offered Securities in the Qualifying Provinces pursuant to the Final Prospectus and pursuant to this agreement. The Agents may also offer the Offered Securities in the United States (through the U.S. Affiliates) on a basis exempt from registration requirements of the *U.S. Securities Act* pursuant to the U.S. Placement Memorandum and in reliance upon Rule 506 of Regulation D.

- 2.2 *Sub-Agents.* The Agents may engage one or more sub-agents who shall be appropriately qualified or authorised dealers (the “**Sub-Agents**”) in the applicable jurisdiction, and may determine the percentage fee payable to such Sub-Agents, which fee will be paid by the Agents out of the Agency Fee.

ARTICLE 3 PROSPECTUS FILING

- 3.1 The Company, on November 19, 2010, filed the Preliminary Prospectus under the Canadian Securities Laws and obtained a receipt therefor under the Passport System.
- 3.2 The Company shall use its commercially reasonable efforts to satisfy all comments with respect to the Preliminary Prospectus and have prepared and filed the Final Prospectus under the Canadian Securities Laws by 5:00 p.m. (Toronto time) on February 25, 2011 and other related documents relating to the proposed distribution of the Offered Securities and Payment Shares in the Qualifying Provinces. The Company shall use its commercially reasonable efforts to obtain a receipt therefor under the Passport System on such date or such later date to which the Company and the Agents, each acting reasonably, may agree; and shall have used its commercially reasonable efforts to take all other steps and proceedings that may be necessary to be taken by the Company in order to qualify the Offered Securities and Payment Shares for distribution in each of the Qualifying Provinces under the Canadian Securities Laws by such date.
- 3.3 Until the date on which the distribution of the Offered Securities and Payment Shares is completed, the Company will promptly use its commercially reasonable efforts to take, or cause to be taken, all additional steps and proceedings that may from time to time be required under Canadian Securities Laws to continue to qualify the distribution of the Offered Securities and Payment Shares or, in the event that the Offered Securities and Payment Shares have, for any reason, ceased so to qualify, to so qualify again the Offered Securities and Payment Shares, as applicable, for distribution.

ARTICLE 4 DELIVERY OF FINAL PROSPECTUS AND RELATED MATTERS

- 4.1 The Company shall deliver without charge to the Agents, as soon as practicable and in any event no later than noon (Toronto time) on the Business Day (or second Business Day for cities outside Toronto) immediately following the issuance of a receipt for the Final Prospectus under the Passport System and thereafter from time to time during the distribution of the Offered Securities, in such cities in the Qualifying Provinces as the Agents, acting reasonably, shall notify the Company, as many commercial copies of the Final Prospectus (and in the event of any Prospectus Amendment, such Prospectus Amendment) as the Agents may reasonably request for the purposes contemplated by the Canadian Securities Laws. The Company will similarly cause to be delivered to the Agents, in such cities in the Qualifying Provinces as the Agents may reasonably request, commercial copies of any Supplementary Material required to be delivered to Purchasers or prospective Purchasers. Each delivery of the Final Prospectus or any Supplementary Material will constitute the Company’s consent to the use of the Final Prospectus and any

Supplementary Material by the Agents for the distribution of the Offered Securities in the Qualifying Provinces in compliance with the provisions of this agreement and the Canadian Securities Laws.

- 4.2 Each delivery of the Final Prospectus and any Supplementary Material to the Agents by the Company in accordance with this agreement will constitute the representation and warranty of the Company to the Agents that at the respective times of delivery:
- (a) the information and statements (except for information and statements relating solely to the Agents and furnished by them specifically for use in the Final Prospectus under the heading “Plan of Distribution”), contained in the Final Prospectus including all Documents Incorporated by Reference and any Supplementary Material:
 - (i) are true and correct in all material respects and contain no misrepresentation; and
 - (ii) constitute full, true and plain disclosure of all material facts relating to the Offered Securities, the Payment Shares, the Company and its subsidiaries, and that on the respective dates on which they were made, the Company had a reasonable basis to make all forecasts and estimates, expressions of opinion, intention and expectation contained in the Final Prospectus including all Documents Incorporated by Reference and any Supplementary Material;
 - (b) no material fact has been omitted from such disclosure that is required to be stated in the document or that is necessary to make the statements therein not misleading in the light of the circumstances in which they were made; and
 - (c) such documents comply in all material respects with Canadian Securities Laws.
- 4.3 The Company will also deliver to the Agents, without charge, contemporaneously with or prior to the filing of the Final Prospectus, unless otherwise indicated:
- (a) copies of the Final Prospectus manually signed on behalf of the Company, by the persons and in the form required by Canadian Securities Laws;
 - (b) a copy of any other document filed with, or delivered to, the Canadian Securities Regulators by the Company under Canadian Securities Laws in connection with the Offering;
 - (c) prior to the Closing Time, evidence satisfactory to the Agents of the conditional approval of the listing and posting for trading on the TSX of the Common Shares, Additional Shares, Broker Shares and Payment Shares subject only to satisfaction by the Company of customary post-closing conditions imposed by the TSX in similar circumstances, (the “**Standard Listing Conditions**”); and

- (d) a “long-form” comfort letter dated the date of the Final Prospectus, in form and substance satisfactory to the Agents and Agents’ Counsel, acting reasonably, addressed to the Agents, from the auditor of the Company, and based on a review completed not more than two Business Days prior to the date of the letter, with respect to certain financial and accounting information relating to the Company included in the Final Prospectus, which letter shall be in addition to the auditor’s report contained in the Final Prospectus and any auditor’s comfort letter addressed to the Canadian Securities Regulators and filed with or delivered to the Canadian Securities Regulators under the Canadian Securities Laws.
- 4.4 Comfort letters and other documents substantially similar to those referred to in Section 4.3 will be delivered to the Agents and the Company, and their respective counsel, as applicable, with respect to any Supplementary Material, contemporaneously with, or prior to the filing of, any Supplementary Material.

ARTICLE 5
MATERIAL CHANGES DURING THE DISTRIBUTION
OF THE OFFERED SECURITIES

- 5.1 The Company will promptly inform the Agents in writing during the period prior to the completion of the distribution of the Offered Securities and Payment Shares of the full particulars of:
- (a) any material change (whether actual, anticipated, threatened, contemplated, or proposed by, to, or against), whether financial or otherwise, in the assets, liabilities (contingent or otherwise), business, affairs, operations, assets, financial condition or capital of the Company;
 - (b) any material fact that has arisen or has been discovered and would have been required to have been stated in any of the Offering Documents had that fact arisen or been discovered on, or prior to, the date of the Offering Documents, as the case may be; and
 - (c) any change in any material fact or any misstatement of any material fact contained in any of the Offering Documents,

which change or new material fact is, or would reasonably be expected to be, of such a nature as:

- (a) to render any of the Offering Documents or any Supplementary Material, as they exist taken together in their entirety immediately prior to such change or new material fact, misleading or untrue in any material respect or would result in any of such documents, as they exist taken together in their entirety immediately prior to such change or material fact, containing a misrepresentation;
- (b) would result in any of the Offering Documents or any Supplementary Material, as they exist taken together in their entirety immediately prior to such change or material fact, not complying with any Canadian Securities Laws; or

- (c) would reasonably be expected to have a material and adverse effect on the market price or value of any of the Offered Securities or Payment Shares or constitute a Material Adverse Effect.

In such regard, the Company shall comply with section 57 of the Act and with the comparable provisions of Canadian Securities Laws, and the Company will prepare and will file promptly at the request of the Agents, any Supplementary Material, which, in the opinion of the Agents and Agents' Counsel, acting reasonably, may be necessary, and will, until the distribution of the Offered Securities and Payment Shares is complete, otherwise comply with all applicable filing and other requirements under Canadian Securities Laws arising as a result of such fact or change necessary to continue to qualify the Offered Securities and Payment Shares for distribution in each of the Qualifying Provinces.

- 5.2 The Company and the Agents acknowledge that the Company is required by Canadian Securities Laws to prepare and file a Prospectus Amendment if, at any time prior to the completion of the distribution of the Offered Securities and Payment Shares, the Final Prospectus (as then amended) contains a misrepresentation. The Company will promptly prepare and file with the Canadian Securities Regulators any amendment or supplement to the Final Prospectus which in the opinion of the Agents and the Company, each acting reasonably, may be necessary or advisable to correct such misrepresentation.
- 5.3 In addition to the provisions of Section 5.1, the Company will, in good faith, discuss with the Agents any change, event, development or fact, contemplated, anticipated, threatened, or proposed in Section 5.1 that is of such a nature that there may be reasonable doubt as to whether written notice should be given to the Agents under such section and will consult with the Agents with respect to the form and content of any Supplementary Material proposed to be filed by the Company, it being understood and agreed that no such Supplementary Material will be filed with any Canadian Securities Regulator until the Agents and Agents' Counsel have been given a reasonable opportunity to review and approve such material, acting reasonably, subject to the Company complying with the requirements of applicable Canadian Securities Laws.
- 5.4 If, during the period of distribution of the Offered Securities and Payment Shares, there shall be any change in the Canadian Securities Laws which, in the opinion of the Agents and the Company, acting reasonably, requires the filing of a Prospectus Amendment, the Company shall, to the satisfaction of the Agents, acting reasonably, promptly prepare and file such Prospectus Amendment with the appropriate Canadian Securities Regulator in each of the Qualifying Provinces where such filing is required.
- 5.5 If, as a result of any circumstance contemplated in the foregoing sections of this Article, a Prospectus Amendment is required to be filed, then, subject to Article 15, the Closing Date or the Agents' Option Closing Date, as applicable, shall be, unless the Company and the Agents otherwise agree in writing, the seventh Business Day following the later of:
 - (i) the date on which all applicable filings or other requirements of the Canadian Securities Laws with respect to such material change or change

in a material fact have been complied with in all Qualifying Provinces and any appropriate receipts obtained for such filings and notice of such filings from the Company have been received by the Agents; and

- (ii) the date upon which the commercial copies of any Prospectus Amendment have been delivered in accordance with Section 4.1.

ARTICLE 6 DUE DILIGENCE

- 6.1 Prior to the Closing Time, and, if applicable, prior to the filing of any Supplementary Material, the Agents, and Agents' Counsel will be provided with timely access to all information reasonably required to permit them to conduct a full due diligence investigation of the Company and its business, operations, properties, assets, affairs and financial condition. In particular, the Agents shall be permitted to conduct all due diligence that they may reasonably require in order to fulfil their obligations under Applicable Securities Laws, and in that regard, the Company will make available to the Agents and Agents' Counsel, on a timely basis, all reasonably requested corporate and operating records, material Contracts, financial information, budgets, key officers, and other relevant information necessary in order to complete the due diligence investigation of the Company and its business, properties, assets, affairs and financial condition for this purpose, and without limiting the scope of the due diligence inquiries the Agents may conduct, to participate and ensure the participation of its auditors in one or more due diligence sessions to be held prior to the Closing Time. All information requested by the Agents or Agents' Counsel in connection with the due diligence investigations of the Agents will be treated by the Agents and Agents' Counsel as confidential and will only be used in connection with the Offering. It shall be a condition precedent to the Agents' execution of any certificate in any Offering Document that the Agents be satisfied, acting reasonably, as to the form and content of the document.

ARTICLE 7 CONDITIONS OF CLOSING

The Agents' obligations under this agreement are conditional upon and subject to:

- 7.1 *Canadian Legal Opinion.* The Agents receiving at the Closing Time a favourable legal opinion from Company's Counsel, who may provide to the Agents opinions of local counsel acceptable to Agents' Counsel, acting reasonably, as to the qualification of the Offered Securities for sale to the public, the qualification of the Payment Shares issued to the Creditors and as to other matters governed by the laws of provinces in Canada other than the provinces in which they are qualified to practice and may rely as to matters of fact on certificates of officers, public and exchange officials or of the auditor or transfer agent of the Company, as applicable, to the effect set forth below:
- (a) the execution, delivery and performance of this agreement have been duly authorized by all necessary corporate action on the part of the Company, and this agreement has been duly authorized, executed and delivered by the Company and

constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms (subject to bankruptcy, insolvency or other laws affecting the rights of creditors generally, general equitable principles including the availability of equitable remedies and the qualification that no opinion need be expressed as to rights to indemnity or contribution and such other qualifications as are customary);

- (b) the authorization, execution and delivery by the Company of this agreement, the performance by the Company of its obligations under this agreement, and the issue, sale and delivery of the Common Shares, the Payment Shares, the Broker Warrants and, when exercised, the Broker Shares (and subsequently the Additional Shares, if issued), as contemplated herein, do not constitute or result in a breach of or a default under, and do not create a state of facts which, after notice or lapse of time or both, constitute or result in a breach of, and do not conflict with, any provisions of:
 - (i) the articles of incorporation of the Company;
 - (ii) any resolutions of the directors (or a committee thereof) or the shareholders of the Company; or
 - (iii) any applicable Canadian Laws of general application or Canadian Securities Laws;
- (c) the Company has the necessary corporate power and capacity to authorize and execute each of the Prospectuses and all necessary action has been taken by the Company to authorize the execution by it of the Prospectuses and the filing thereof, as the case may be, in each of the Qualifying Provinces;
- (d) all documents required to be filed by the Company and all proceedings required to be taken by the Company under Canadian Securities Laws have been filed and taken in order to qualify the distribution of the Offered Securities and Payment Shares in each of the Qualifying Provinces through investment dealers duly registered in the appropriate category under the applicable Laws thereof who have complied with the relevant provisions thereof;
- (e) the Common Shares, the Additional Shares, the Broker Shares and the Payment Shares, have been conditionally approved for listing on the TSX subject only to the Standard Listing Conditions;
- (f) the form of the definitive certificates representing the Common Shares and the Broker Warrants have been approved and adopted by the Company and comply with applicable Laws and the articles and the by-laws of the Company, and the attributes of the Common Shares and Broker Warrants conform in all material respects with the descriptions thereof contained in the Final Prospectus;
- (g) the statements under the heading “Eligibility for Investment” and “Canadian Federal Income Tax Considerations” in the Final Prospectus are true and correct;

- (h) each of the Company and Northern Securities is validly existing under the *Business Corporations Act* (Ontario) and has not been dissolved;
- (i) each of the Company and Northern Securities has the requisite corporate power and capacity to carry on its business as presently carried on and to own and operate its assets as described in the Final Prospectus and to enter into and perform its obligations under this agreement and to carry out the transactions contemplated hereby, including to issue and sell the Offered Securities and to issue the Payment Shares;
- (j) the issued and outstanding share capital and the authorized share capital of the Company are as described in the Final Prospectus and any Supplementary Material;
- (k) all necessary corporate action has been taken by the Company to authorize the issuance, sale and delivery, as applicable, of the Offered Securities and the Payment Shares;
- (l) the Common Shares have been (and any Additional Shares, if issued, will upon receipt of full consideration therefor be) validly issued by the Company as fully-paid and non-assessable shares in the capital of the Company;
- (m) the Broker Warrants have been validly created and issued to the Agents;
- (n) the Broker Shares in respect of the Broker Warrants at the Closing have been duly allotted and reserved for issuance and when issued upon the exercise of the Broker Warrants in accordance with the terms of the warrant certificate and upon receipt by the Company of the proper consideration therefor, will be validly issued as fully paid and non-assessable shares in the capital of the Company;
- (o) the Payment Shares have been validly issued by the Company as fully paid and non-assessable shares in the capital of the Company;
- (p) Equity Financial Trust Company, at its principal office in Toronto, has been duly appointed as the transfer agent and registrar for the Common Shares; and
- (q) such other matters as may reasonably requested by the Agents,

all in a form acceptable in all reasonable respects to the Agents and Agents' Counsel;

7.2 *United States Legal Opinion.* If any Offered Securities are sold to Purchasers in the United States, the Agents receiving at the Closing Time a favourable legal opinion from United States counsel to the Company, to the effect that registration of the Offered Securities will not be required under the *U.S. Securities Act*, in form and substance acceptable in all reasonable respects to the Agents and Agents' Counsel;

7.3 *Representations and Warranties.* The representations and warranties of the Company contained in this agreement shall be true and correct in all material respects (or, if

qualified by materiality or Material Adverse Effect, in all respects) as at each Closing Time, with the same force and effect as if made on and as at each Closing Time, after giving effect to the transactions contemplated by this agreement;

- 7.4 *Obligations.* The Company shall have complied in all material respects with all of its obligations under this agreement and satisfied all the terms and conditions of this agreement on its part to be complied with or satisfied, other than conditions which have been waived by the Agents, at or prior to the Closing Time;
- 7.5 *Certificate of Officers.* The Agents receiving at the Closing Time a certificate dated the Closing Date, signed by the Chief Executive Officer or Chief Financial Officer of the Company, or other officer acceptable to the Agents, in form and content satisfactory to the Agents, acting reasonably, with respect to:
- (a) the articles of incorporation of the Company;
 - (b) the by-laws of the Company;
 - (c) the resolutions of the directors of the Company relevant to the Offering, the Shares-for-Debt Offering, the Offering Documents, the allotment, issue (or reservation for issue) and sale of the Offered Securities, the issue of the Payment Shares and, as applicable, the authorization of this agreement, and the other agreements and transactions contemplated by this agreement; and
 - (d) the incumbency and signatures of signing officers and directors of the Company;
- 7.6 *Certificate of Status.* The Agents receiving at the Closing Time and the Agents' Option Closing Time, as applicable, a certificate of status for each of the Company and Northern Securities dated within one (1) day of the applicable day;
- 7.7 *Closing Certificates.* The Agents receiving at the Closing Time and the Agents' Option Closing Time, as applicable, a certificate dated the applicable Closing Date or Agents' Option Closing Date addressed to the Agents and signed by the Chief Executive Officer and Chief Financial Officer of the Company, or any other officer(s) acceptable to the Agents, certifying for and on behalf of the Company, and not in their personal capacities, after having made due inquiries, with respect to the following matters:
- (a) the Company having complied with all of its obligations under this agreement and satisfied all the terms and conditions of this agreement on its part to be complied with and satisfied at or prior to the Closing Time;
 - (b) no order, ruling or determination having the effect of prohibiting the sale of the Offered Securities, the Payment Shares or any of the Company's issued securities having been issued and no proceeding for such purpose being pending or, to the knowledge of such officers, threatened;
 - (c) subsequent to the respective dates as at which information is given in the Final Prospectus, there having not occurred a Material Adverse Effect, or any change or

development involving a prospective Material Adverse Effect, or the coming into existence of a new material fact, other than as disclosed in the Final Prospectus or any Supplementary Material, as the case may be;

- (d) the representations and warranties of the Company contained in this agreement and in any certificates of the Company delivered pursuant to or (if qualified by materiality or Material Adverse Effect, in all respects) in connection with this agreement, being true and correct in all material respects as at the Closing Time, with the same force and effect as if made on and as at the Closing Time, after giving effect to the transactions contemplated by this agreement; and
 - (e) such other matters as the Agents and the Agents' Counsel may reasonably request.
- 7.8 *Certificate of Transfer Agent.* The Company having delivered to the Agents a certificate of Equity Financial Trust Company, as registrar and transfer agent of the Common Shares, which certifies the number of Common Shares issued and outstanding on the date prior to the Closing Date;
- 7.9 *Bring Down Auditor Comfort Letter.* The Company having caused the auditor of the Company to deliver to the Agents a comfort letter, dated the Closing Date, in form and substance satisfactory to the Agents, acting reasonably, bringing forward to the date which is two (2) Business Days prior to the applicable Closing Date, the information contained in the comfort letter referred to in Section 4.3(d);
- 7.10 *No Termination.* The Agents not having exercised any rights of termination set forth in Article 15; and
- 7.11 *Other Documentation.* The Agents having received at the Closing Time or the Agents' Option Closing Time, as applicable, such further certificates, opinions of counsel and other documentation from the Company as may be contemplated herein or as the Agents or Agents' Counsel may reasonably request.

ARTICLE 8 REPRESENTATIONS AND WARRANTIES OF THE COMPANY

- 8.1 The Company represents and warrants to the Agents, the Purchasers and their respective permitted assigns and acknowledges that each of them is relying upon such representations and warranties, that:
- (a) the Company and Northern Securities: (i) have been duly incorporated and are valid and subsisting corporations under the provisions of the laws of their jurisdiction of continuance or incorporation and will at the Closing Time or the Agents' Closing Time, as applicable, be up-to-date in all material corporate filings and in good standing under such laws; (ii) have all requisite corporate power and authority and are duly qualified and possess all material certificates, authority, permits and licences issued by the appropriate provincial, municipal, federal regulatory agencies or bodies necessary (and have not received or are not

aware of any modification or revocation to such licences, authority, certificates or permits, except such modifications or amendments as are necessary for the conduct of their business) to carry on their business as now being carried on by them and to own or lease and operate their properties and assets; and (iii) are duly licensed or otherwise qualified to carry on business in each jurisdiction in which the nature of the business conducted by them or the ownership or leasing of their properties makes such qualification necessary;

- (b) the authorized share capital of the Company consists of an unlimited number of Common Shares and 2,000,000 voting convertible redeemable preference shares, of which 14,036,134 Common Shares are issued and outstanding as fully paid and non-assessable shares and no voting convertible redeemable preference shares are issued and outstanding. All the Common Shares were offered, issued and sold in compliance with applicable securities laws in distributions exempt from the prospectus and registration requirements of such securities laws, and all notices and filings in respect of such distributions have been made by the Company within the time and within the manner required by the Applicable Securities Laws;
- (c) the Common Shares to be issued and sold as hereinbefore described have been, or prior to the Closing Time will be, authorized for issuance; the Common Shares will have been reserved for issuance by the Company and, upon payment of the Offering Price and when certificates for the Common Shares are countersigned by the Company and issued, delivered and paid for, the Common Shares will be validly issued as fully paid and non-assessable;
- (d) the Broker Warrants to be issued and sold as hereinbefore described have been or will have been prior to the Closing Time duly and validly created, all necessary corporate action will have been taken for issuance;
- (e) the Broker Shares issuable upon the exercise of the Broker Warrants have been, or prior to the Closing Time will be, and all necessary corporate action will have been taken to reserve for issuance by the Corporation and, upon payment and delivery of the exercise price therefor and the issuance, delivery and countersigning of certificates for such Broker Shares by the Company, such Broker Shares will be validly issued as fully paid and non-assessable;
- (f) the Payment Shares to be issued as hereinbefore described have been, or prior to the Closing Time will be, authorized for issuance; the Payment Shares will have been reserved for issuance by the Company and, upon settlement of the Company's debts to the Creditors pursuant to the terms and conditions of the conditional agreements entered into between the Company and the Creditors, and when certificates for the Payment Shares are countersigned by the Company and issued, delivered and paid for, the Payment Shares will be validly issued as fully paid and non-assessable;

- (g) other than pursuant to the Shares-for-Debt Offering and as publicly disclosed, the Company does not have any outstanding agreements, subscriptions, warrants, options or commitments (pre-emptive, contingent or otherwise), nor has it granted any rights or privileges capable of becoming an agreement, subscription, warrant, option or commitment, obligating the Company to offer, sell, repurchase or otherwise acquire, transfer, pledge or encumber any shares in the capital of the Company, or other securities, nor are there outstanding any securities or obligations of any kind convertible into or exercisable or exchangeable for any capital stock of the Company. There are no outstanding bonds, debentures or other evidences of indebtedness of the Company having the right to vote or that are exchangeable or convertible for or exercisable into securities having the right to vote with holders of Common Shares on any matter as of the date hereof. There are no outstanding securities of the Company in addition to Common Shares having the right to vote with holders of Common Shares on any matter;
- (h) other than as publicly disclosed, the Company does not have any loans or other indebtedness outstanding which has been made to any of its respective shareholders, officers, directors or employees, past or present, or any person not dealing at “**arm’s length**” (within the meaning of the Tax Act) with them;
- (i) the minute books and records of the Company and Northern Securities made available to the Agents contain copies of all proceedings (or certified copies thereof) of the shareholders, the board of directors and all committees of the board of directors of the Company and Northern Securities material to the Offering. There have been no other meetings, resolutions or proceedings of the shareholders, board of directors or any committee of the board of directors of the Company or Northern Securities material to the Offering not reflected in such minute books and other records;
- (j) the assets of the Company and Northern Securities and their business and operations are insured against loss or damage with responsible insurers on a basis consistent with insurance obtained by reasonably prudent participants in comparable businesses, and such coverage is in full force and effect, and the Company and Northern Securities have not breached the terms of any policies in respect thereof nor failed to promptly give any notice or present any material claim thereunder;
- (k) the Company has one subsidiary which is Northern Securities which is a wholly-owned subsidiary, and the Company is not affiliated with, nor is it a holding corporation of, any other body corporate;
- (l) the issued and outstanding Common Shares are listed and posted for trading on the TSX and, as at the Closing Date, the issuance of the Offered Securities (other than the Broker Warrants) and Payment Shares will be conditionally accepted by the TSX, subject to the filing of all necessary reports, certificates or undertakings and fees required to be filed with and paid to the TSX;

- (m) the Company is a "reporting issuer" not in default of the Applicable Securities Laws, with the exception of any such defaults which would not have a material adverse affect on the Company, in each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia;
- (n) at the Closing Time, all consents, approvals, permits, authorizations or filings as may be required by the board of directors and shareholders of the Company necessary for the execution and delivery of the Offering Documents, the issuance and sale of the Common Shares, the issuance and sale of the Broker Warrants and the issuance and sale of the Broker Shares upon exercise of the Broker Warrants, the issuance of the Payment Shares and the consummation of all other transactions contemplated hereby and thereby will have been made or obtained, as applicable;
- (o) at the Closing Time, all consents, approvals, permits, authorizations or filings as may be required under Canadian Securities Laws and the policies of the TSX necessary for the execution and delivery of the Offering Documents, the issuance and sale of the Common Shares, the issuance and sale of the Broker Warrants, and the issuance and sale of the Broker Shares upon exercise of the Broker Warrants, the issuance of the Payment Shares and the consummation of all other transactions contemplated hereby and thereby will have been made or obtained, as applicable;
- (p) each of the execution and delivery of the Offering Documents, the performance by the Company of its obligations hereunder or thereunder, the issue and sale of the Common Shares, the issuance and sale of the Broker Warrants, the issue and sale of the Broker Shares upon exercise of the Broker Warrants, the issuance of the Payment Shares and the consummation of the transactions contemplated hereby and thereby do not and will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, (whether after notice or lapse of time or both), (A) any statute, rule or regulation applicable to the Company or Northern Securities including Canadian Securities Laws and the applicable securities laws of any other Selling Jurisdiction; (B) the constating documents, by-laws or resolutions of the Company which are in effect at the date hereof; (C) any Debt Instrument, Material Agreement, mortgage, indenture, contract, agreement, instrument, lease or other document to which the Company is a party or by which any one of them is bound; or (D) any judgment, decree or order binding the Company or the property or assets of the Company, which default or breach would reasonably be expected to cause a Material Adverse Effect on the Company or would materially restrict the ability of the Company to consummate the transaction contemplated hereby or to duly observe and perform any of its covenants or obligations contained in this Agreement;
- (q) the Company has full corporate power, capacity and authority to enter into the Offering Documents and to perform its obligations set out herein and therein, and the Offering Documents are, and will, on the Closing Date be, duly authorized, executed and delivered by the Company, and the Offering Documents are, and

will, on the Closing Date be, legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, subject to the general qualifications that:

- (i) enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting creditors' rights generally;
- (ii) equitable remedies, including the remedies of specific performance and injunctive relief, are available only in the discretion of the applicable court;
- (iii) the enforceability of any provision exculpating a party from liability or duty otherwise owed by it may be limited under applicable law;
- (iv) the enforceability of any provision may be limited by and subject to applicable laws regarding limitations of actions;
- (v) the enforceability of provisions which purport to sever any provision which is prohibited or unenforceable under applicable law without affecting the enforceability or validity of the remainder of such document would be determined only in the discretion of the court;
- (vi) enforceability may be limited by the equitable or statutory powers of the courts in Canada or the United States having jurisdiction to stay proceedings before them and the execution of judgments; and
- (vii) rights to indemnity and contribution hereunder may be limited under applicable law;
- (r) neither the Company nor Northern Securities is a party to or bound or affected by any commitment, agreement or document containing any covenant which expressly limits the freedom of the Company or Northern Securities to compete in any line of business, or to transfer or move any of their assets or operations or which materially and adversely affects the business practices, operations or condition of the Company and Northern Securities taken as a whole;
- (s) neither the Company nor Northern Securities owns, either directly or indirectly, leases, possesses, operates or otherwise holds any real property;
- (t) the Company or Northern Securities are not parties to any agreement, nor is the Company or Northern Securities aware of any agreement, which in any manner affects the voting control of any of the securities of the Company or Northern Securities;
- (u) there is not, in the constating documents, by-laws or in any Debt Instrument, Material Agreement, agreement, mortgage, indenture or other instrument or document to which the Company and/or Northern Securities is a party, any

restriction upon or impediment to, the declaration or payment of dividends by the directors of the Company or Northern Securities or the payment of dividends by the Company or Northern Securities to the holders of its common shares;

- (v) there is no person that is or will be entitled to the proceeds from the sale of the Common Shares pursuant to this Offering under the terms of any Debt Instrument, Material Agreement, mortgage, indenture, contract, instrument, lease agreement (written or unwritten);
- (w) neither the Company nor Northern Securities have received any communications alleging that the Company or Northern Securities have violated or, by conducting their Business as currently carried out and 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 and neither the Company nor Northern Securities are aware of any reasonable basis for such an allegation and, to the best of the Company's and Northern Securities' knowledge, the Company and Northern Securities are not aware of any such allegation that may be forthcoming;
- (x) other than as publicly disclosed, neither the Company nor Northern Securities are parties 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 Company or Northern Securities and applicable laws, and the indemnification provided for herein) or any other like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any other person which, individually or in the aggregate, are material to the Company or Northern Securities;
- (y) the form and terms of definitive certificates representing the Common Shares and Broker Warrants have been duly approved and adopted by the Company and comply with all legal requirements relating thereto;
- (z) no authorization, approval or consent of any court, governmental authority or regulatory agency is required to be obtained by the Company in connection with the issuance, sale and delivery of the Offered Securities and the Payment Shares other than the final approval of the TSX;
- (aa) no Canadian Securities Regulator or any other securities commission or similar regulatory authority has issued any order preventing or suspending trading of any securities of the Company, no such proceeding is, to the best of the knowledge of the Company, pending, contemplated or threatened, and to the best of the knowledge of the Company, the Company is not in default of any requirement of Applicable Securities Laws of the Selling Jurisdictions;
- (bb) none of the directors or officers of the Company or Northern Securities are 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, a company listed on a particular stock exchange or a company regulated by IIROC;

- (cc) other than as publicly disclosed, neither the Company nor Northern Securities have any shares or other ownership, partnership, joint venture or economic interests in any company or person. Neither the Company nor Northern Securities is a party to any agreement or arrangement to acquire any shares or other interests in any other companies or persons and are not parties to any agreement or arrangement to acquire or lease any other business operations;
- (dd) as of the date hereof, there are no shareholder agreements, proxies, pooling agreements, voting trusts, rights to require registration under securities laws or other arrangements or commitments to which the Company is a party or bound with respect to the voting, disposition or registration of any outstanding securities of the Company;
- (ee) the Financial Information has been prepared in accordance with generally accepted accounting principles in Canada consistently applied throughout the period referred to therein and present fairly, in all material respects, the financial position (including the assets and liabilities, whether absolute, contingent or otherwise) of the Company as at such dates and results of operations of the Company for the periods then ended and there has been no material change in accounting policies or practices of the Company since March 31, 2010;
- (ff) there has been no adverse material change (actual, proposed or prospective, whether financial or otherwise) in the business, results of operations, assets, liabilities (contingent or otherwise) or capital or financial condition of the Company since September 30, 2010, which has not been generally disclosed to the public and the business of the Company has been carried on in the usual and ordinary course consistent with past practice since September 30, 2010, to the extent that such past practice is consistent with the current business direction of the Company;
- (gg) except for liabilities incurred in the ordinary course of business September 30, 2010, the Company does not have any liability or obligation including, without limitation, liabilities for taxes, whether accrued, absolute, contingent or otherwise, not reflected in the Financial Information, except for liabilities and obligations which are not materially adverse to the Company;
- (hh) each contract or agreement between the Company or Northern Securities and any other person which is material to the ownership, use or operation of a material portion of the business, properties or assets of the Company and Northern Securities, is in full force and effect and, to the best of the knowledge of the Company and Northern Securities is valid and binding and, to the best of the knowledge of the Company and Northern Securities, no material breach or default exists in respect thereof on the part of any party thereto and no event has occurred

which, with the giving of notice or the lapse of time or both, would constitute such a material breach or default;

- (ii) other than as publicly disclosed, the Company has not declared or paid any dividends or made any distribution of its material assets to its shareholders and the Company has not disposed of any of its material assets or incurred any material indebtedness;
- (jj) all taxes (including income tax, capital tax, payroll taxes, employer health tax, workers' compensation payments, property taxes, customs duties and land transfer taxes), duties, royalties, levies, imposts, assessments, deductions, charges or withholdings and all liabilities with respect thereto including any penalty and interest payable with respect thereto (collectively, "**Taxes**") due and payable or required to be collected or withheld and remitted, by the Company and Northern Securities have been paid, collected or withheld and remitted as applicable, except for where the failure to pay, collect, withhold or remit such Taxes would not have a Material Adverse Effect on the Company and Northern Securities, taken as a whole. All tax returns, declarations, remittances and filings required to be filed by the Company and Northern Securities prior to the date hereof, have been filed with all appropriate governmental authorities and all such returns, declarations, remittances and filings are complete and accurate in all material respects and no material fact or facts have been omitted therefrom which would make any of them misleading or result in a Material Adverse Effect to the Company and Northern Securities, taken as a whole. The Company and Northern Securities have not received written notice from any Governmental Entity that a re-assessment of any tax return of the Company or Northern Securities is currently in progress and there are no material issues or disputes outstanding with any governmental authority respecting any taxes that have been paid, or may be payable, by the Company or Northern Securities. There are no agreements, waivers or other arrangements with any taxation authority providing for an extension of time for any assessment or reassessment of taxes with respect to the Company or Northern Securities;
- (kk) the Company and Northern Securities have withheld from each payment made to any present or former employees and to all persons all amounts, if any, required by applicable law and has remitted such withheld amounts within the prescribed periods to the appropriate federal or provincial taxing authority. The Company and Northern Securities have remitted all pension plan contributions, employment insurance premiums, employer health taxes and other taxes payable by it prior to the date hereof and has or will have remitted such amounts to the proper taxing authority within the time required by applicable law. The Company and Northern Securities charged, collected and remitted on a timely basis all taxes required by applicable law on any sale, supply or delivery whatsoever, made by the Company or Northern Securities;
- (ll) there are no complaints against the Company or Northern Securities before any employment standards branch or tribunal or human rights tribunal, nor, to the

knowledge of the Company and Northern Securities, any complaints or any occurrence which would reasonably be expected to lead to a complaint under any human rights legislation or employment standards legislation. There are no outstanding decisions or settlements or pending settlements under applicable employment standards legislation which place any obligation upon the Company or Northern Securities to do or refrain from doing any act. Except for non-compliance that has not, or would not reasonably be expected to, result in a Material Adverse Effect on the Company or Northern Securities, the Company and Northern Securities are currently in full material compliance with all workers' compensation, occupational health and safety and similar legislation, including payment in full of all amounts owing thereunder, and there are no pending claims or outstanding orders against either of them under applicable workers' compensation legislation, occupational health and safety or similar legislation nor has any event occurred which may give rise to any such claim;

- (mm) no director or executive officer of the Company or Northern Securities has communicated an intention to terminate his or her relationship as an employee, consultant, director and/or executive officer of the Company or Northern Securities, as applicable;
- (nn) other than as publicly disclosed, the Company and Northern Securities are not subject to any present or future obligation or liability under any pension plan, deferred compensation plan, retirement income plan, stock option or stock purchase plan, profit sharing plan, bonus plan or policy, employee group insurance plan, hospitalization plan, disability plan or other employee benefit plan, program, policy or practice, formal or informal, with respect to any of the employees of the business, and other than plans established pursuant to statute;
- (oo) the Company and Northern Securities have conducted and are conducting their business in material compliance with all applicable laws and regulations of each jurisdiction in which they carry on business (including all applicable federal, provincial, municipal and local environmental, anti-pollution and licensing laws, regulations and other lawful requirements of any governmental or regulatory body, including relevant exploration and exploitation permits and concessions) and have not received a written notice of non-compliance from any Governmental Entity with respect thereto, nor know of, nor have reasonable grounds to know of, any facts that could give rise to a notice of non-compliance with any such laws, regulations or permits;
- (pp) to the best of the knowledge of the Company, there are no pending or contemplated changes to any applicable law or regulation or governmental position that would materially adversely affect the business of the Company or Northern Securities or the business or legal environment under which the Company or Northern Securities operates;
- (qq) the Company and Northern Securities are in material compliance with each material license and permit held by them and they are not in material violation of,

or in material default under, the applicable statutes, ordinances, rules, regulations, orders or decrees (including “**Environmental Laws**” as defined below) of any Governmental Entities asserting or claiming jurisdiction over them or over any part of their operations or assets;

- (rr) the Company and Northern Securities (i) are in compliance in all material respects with any and all applicable foreign, federal, provincial, state and local laws and regulations relating to the protection of human health and safety, conservation, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (“**Environmental Laws**”), (ii) have received all material permits, licenses or other approvals required of any of them under applicable Environmental Laws to conduct their business, and (iii) are in compliance in all material respects with all terms and conditions of any such permit, license or approval;
- (ss) other than as publicly disclosed, there have been no past, and there are no pending or, to the best of the knowledge of the Company and Northern Securities, threatened claims, complaints, notices or requests for information received by the Company or Northern Securities from any Governmental Entity with respect to any alleged violation of any Environmental Law and no conditions exist at, on or under any property now or previously owned, operated or leased by the Company or Northern Securities which, with the passage of time, or the giving of notice or both, would reasonably be expected to give rise to liability under any Environmental Law;
- (tt) there are no environmental audits, evaluations, assessments, studies or tests relating to the Company and Northern Securities except for ongoing assessments conducted by or on behalf of the Company and Northern Securities in the ordinary course and the Company and Northern Securities have not received any notice wherein it is alleged or stated that they are potentially responsible for a federal, provincial, municipal or local cleanup site or corrective action under any Environmental Law;
- (uu) the Company and Northern Securities are in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exemptions, consents, certificates, approvals and orders necessary to own, lease and operate their properties and to lawfully carry on their businesses as they are now being conducted (collectively, the “**Company Permits**”), except where the failure to be in possession of such the Company Permits would not, individually or in the aggregate, have a Material Adverse Effect, and there is no action, proceeding or investigation pending or, to the knowledge of the Company and Northern Securities, threatened regarding any of the Company Permits which would have a Material Adverse Effect. The Company and Northern Securities are not in conflict with, or in default or violation of any of the Company Permits, except for any such conflicts, defaults or violations which could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company and Northern Securities;

- (vv) there are no agreements, judgments, injunctions, orders or decrees binding upon the Company or Northern Securities that have, or would be reasonably expected to have, the effect of prohibiting, restricting or materially impairing any material business practice of the Company or Northern Securities, acquisition of property by the Company or Northern Securities or the conduct of business by the Company or Northern Securities as currently conducted;
- (ww) the Company and Northern Securities are in compliance in all material respects with all laws, regulations and policies respecting employment and employment practices, terms and conditions of employment, occupational health and safety, pay equity and wages, and there has never been and there is not currently any, or any reasonably foreseeable, labour disruption or conflict involving the Company or Northern Securities;
- (xx) other than the Agents, there are no persons acting or purporting to act at the request or on behalf of the Company, that are entitled to any brokerage or finder's fee in connection with the transactions contemplated by this Agreement;
- (yy) other than as publicly disclosed and customary indemnity and retainer agreements, neither the Company nor Northern Securities is a party to any material contract or agreement with any officer, director, shareholder or any person not dealing at "**arm's length**" (within the meaning of the *Tax Act*) with any of the foregoing;
- (zz) there are no judgments against the Company or Northern Securities which are unsatisfied, nor are there any consent decrees or injunctions to which the Company or Northern Securities are subject;
- (aaa) other than as publicly disclosed, the Company and Northern Securities are the absolute legal and beneficial owners of, and have good and marketable title to or leasehold interest in, all of the material property or assets thereof as publicly disclosed, free of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands whatsoever, and no other property rights are necessary for the conduct of the business of the Company and Northern Securities as currently conducted or contemplated to be conducted, the Company and Northern Securities know of no claim or basis for any claim that might or could adversely affect the right of the Company and Northern Securities to use, transfer or otherwise exploit such property rights, and the Company and Northern Securities have no responsibility or obligation to pay any commission, royalty, licence fee or similar payment to any person with respect to the property rights thereof;
- (bbb) other than as publicly disclosed, any and all of the agreements and other documents and instruments pursuant to which the Company and Northern Securities hold their property and assets (including any interest in, or right to earn an interest in, any property) are valid and subsisting agreements, documents or instruments in full force and effect, enforceable in accordance with the terms

thereof, the Company and Northern Securities are not in default of any of the material provisions of any such agreements, documents or instruments nor has any such default been alleged, and such properties and assets are in good standing under the applicable statutes and regulations of the jurisdictions in which they are situated, and there has been no material default under any lease, licence or claim pursuant to which the Company and Northern Securities derive an interest in such property or assets and all taxes required to be paid with respect to such properties and assets to the date hereof have been paid. The interests of the Company and Northern Securities in, or rights of the Company and Northern Securities to earn an interest in, any property of the Company and Northern Securities are not subject to any right of first refusal or purchase or acquisition rights;

- (ccc) no proceedings have been taken, instituted or, to the knowledge of the Company and Northern Securities, are pending for the dissolution or liquidation of the Company or Northern Securities;
- (ddd) each Debt Instrument to which the Company or Northern Securities is a party is in good standing and the Company and Northern Securities are not in default of any obligation or covenant under such Debt Instruments;
- (eee) the minimum net proceeds of the Offering, together with the Payment Shares to be issued to Creditors, will be sufficient to satisfy all current debts of the Company; and
- (fff) there are no actions, suits, proceedings or investigations, including any regulatory proceeding or regulation pending or, to the knowledge of the Company and Northern Securities, threatened against the Company or Northern Securities which could reasonably be expected to have a Material Adverse Effect.

ARTICLE 9 REPRESENTATIONS AND WARRANTIES OF THE AGENTS

- 9.1 Each Agent hereby severally, and not jointly, nor jointly and severally, represents and warrants to the Company that:
- (a) it is, and will remain so until the completion of the Offering, appropriately registered under applicable Canadian Securities Laws so as to permit it to lawfully fulfil its obligations hereunder;
 - (b) it has all requisite corporate power and capacity to enter into this agreement and to carry out the transactions contemplated under this agreement on the terms and conditions set forth herein; and
 - (c) this agreement has been duly authorized, executed and delivered by such Agent and is a legal, valid and binding obligation of, and is enforceable against, such Agent in accordance with its terms (subject to bankruptcy, insolvency or other laws affecting the rights of creditors generally, the availability of equitable

remedies and the qualification that rights to indemnity and waiver of contribution may be contrary to public policy).

- 9.2 The representations and warranties of each of the Agents contained in this agreement shall be true at the Closing Time and the Agents' Option Closing Time, as applicable, as though they were made at the Closing Time and they shall survive the completion of the transactions contemplated under this agreement until the completion of the distribution of the Offered Securities.

ARTICLE 10
ADDITIONAL REPRESENTATION, WARRANTIES AND
COVENANTS OF THE COMPANY

- 10.1 In addition to any other representation, warranty or covenant of the Company set forth in this agreement, the Company represents, warrants and covenants with the Agents that:
- (a) *Stock Exchange Listing.* The Company will use its commercially reasonable efforts to file or cause to be filed with the TSX all necessary documents and will use its commercially reasonable efforts to take, or cause to be taken, all necessary steps to ensure that the Common Shares, Additional Shares, Broker Shares and Payment Shares to be issued under the Final Prospectus have been approved (or conditionally approved) for listing and for trading on the TSX, prior to the filing of the Final Prospectus with the Canadian Securities Regulators, subject only to satisfaction by the Company of the Standard Listing Conditions, and the Company shall thereafter fulfil the Standard Listing Conditions within the time period prescribed by the TSX;
 - (b) *Additional U.S. Securities Law Matters.* The Company represents, warrants, covenants and agrees that:
 - (i) none of it, its affiliates, or any person acting on its or their behalf (other than the Agents, their U.S. affiliates and any person acting on their behalf, as to which no representation, warranty, covenant or agreement is made) has taken or will take any action that would cause the exemption from registration afforded by Rule 506 of Regulation D or the exclusion from registration afforded by Rule 903 of Regulation S to be unavailable for offers and sales of the Offered Securities, pursuant to this agreement;
 - (ii) the Company will execute or procure the execution of all documents and will use its commercially reasonable efforts to take or cause to be taken all such steps as may be necessary to establish, to the satisfaction of Agents' Counsel and Company's Counsel, any and all legal requirements to enable the Agents to offer the Offered Securities for sale in the United States in reliance upon the exemption from the registration requirements of the *U.S. Securities Act* provided by Rule 506 of Regulation D and in accordance with the terms of this agreement; and

- (iii) the Company will, within the prescribed time periods, prepare and file any forms or notices as may be required under the U.S. Securities Laws in connection with the sale of the Offered Securities;
- (c) *Other Filings.* The Company will make all necessary filings, use its commercially reasonable efforts to obtain all necessary regulatory consents and approvals (if any) and the Company will pay all filing fees required to be paid in connection with the transactions contemplated in this agreement;
- (d) *Press Releases.* Subject to compliance with applicable Law, any press release of the Company relating to the Offering will be provided in advance to the Agents, and the Company will use its commercially reasonable efforts to agree to the form and content thereof with the Agents, prior to the release thereof;
- (e) *Use of Proceeds.* The Company confirms its intention to use the net proceeds from the purchase and sale of the Offered Securities in accordance with the description set forth under the heading “Use of Proceeds” in the Final Prospectus; and
- (f) *Standstill Period.* The Company hereby agrees that it will not, directly or indirectly, without the prior written consent of Northern Securities (such consent not to be unreasonably withheld or delayed), on behalf of the Agents, offer to sell, grant any option to purchase or otherwise dispose of (or announce any intention to do so) any Common Shares or any other equity securities of the Company for a period commencing on the Closing Date and ending 90 days after the Closing Date (other than for the purposes of directors’, officers’, consultants’ or employees’ stock option, to satisfy currently outstanding convertible instruments, securities issued to strategic investors.

ARTICLE 11 COVENANTS OF THE AGENTS

- 11.1 Each of the Agents hereby severally, and not jointly, nor jointly and severally, covenants as follows:
- (a) *Offering Jurisdictions and Offering Price.* During the period of distribution of the Offered Securities by or through the Agents, the Agents will offer and sell Offered Securities to the public only in the Qualifying Provinces or where they may lawfully be offered for sale or sold and only at the Offering Price. For the purposes of this subsection, the Agents shall be entitled to assume that the Offered Securities are qualified for distribution in any Qualifying Province where a receipt under the Passport System shall have been obtained from the applicable Canadian Securities Regulator following the filing of the Final Prospectus.
 - (b) *Compliance with Securities Laws.* The Agents will comply with all Applicable Securities Laws in connection with the offer to sell and the distribution of the Offered Securities in all of the Offering Jurisdictions.

- (c) *U.S. Securities Laws Compliance.* The Agents will not directly or indirectly solicit offers to purchase or sell the Offered Securities or deliver any Offering Document to Purchasers so as to require registration of the Offered Securities or filing of a prospectus or registration statement with respect to those Offered Securities under the Laws of any jurisdiction other than the Qualifying Jurisdictions, including the United States. Any offer or sale of Offered Securities in the United States will be made in accordance with the terms and conditions set out in Schedule “A” to this agreement. The terms and conditions and the representations, warranties and covenants of the parties contained in Schedule “A” form part of this agreement.
- (d) *Completion of Distribution.* The Agents will use their commercially reasonable efforts to complete the distribution of the Offered Securities as promptly as possible after the Closing Time. The Agents will notify the Company when, in the Agents’ opinion, the Agents have ceased the distribution of the Offered Securities, and, within 30 days after completion of the distribution, will provide the Company, in writing, with a certified breakdown of the number of Offered Securities distributed in each of the Qualifying Provinces where that breakdown is required by a Canadian Securities Regulator for the purpose of calculating fees payable to, or making filings with, that Canadian Securities Regulator.

11.2 *Liability on Default.* No Agent shall be liable to the Company under this section with respect to a default by any of the other Agents or by any Sub-Agents.

ARTICLE 12 CLOSING

- 12.1 *Location of Closing.* The Closing will be completed at the offices of Company’s Counsel, in Toronto, Ontario at the Closing Time.
- 12.2 *Certificates.* At the Closing Time on the Closing Date, subject to the terms and conditions contained in this agreement, the Company shall deliver to the Agents certificates representing the Common Shares and Broker Warrants against payment of the aggregate Offering Price by certified cheque, bank draft or wire transfer dated the Closing Date payable to the Company. The Company will, at the Closing Time on the Closing Date and upon such payment of the aggregate Offering Price to the Company, make payment in full of the Agency Fee (calculated in accordance with Section 14.1 hereof) and the estimated expenses of the Agents, which shall be made by the Company directing Northern Securities to withhold the Agency Fee and the estimated expenses of the Agents from the payment of the aggregate Offering Price. Certificates shall be registered in the name of CDS & Co. or in such other name or names as the Agents may request.

ARTICLE 13 AGENTS’ OPTION CLOSING

- 13.1 *Closing.* In the event that the Agents’ Option is exercised by the Agents and any of the Additional Shares are to be purchased, payment of the purchase price for, and delivery of certificates for, such Additional Shares shall be made at the offices mentioned in Section

12.1 above, or at such other place as shall be agreed upon by the Agents and the Company, on the Agents' Option Closing Date as specified in the written notice from the Agents to the Company giving notice of the exercise of the Agents' Option.

- 13.2 *Payments and Certificates.* At the Agents' Option Closing Time, if any, subject to the terms and conditions contained in this agreement, the Company shall deliver to the Agents certificates representing the Additional Shares against payment of the aggregate of all purchase prices applicable upon exercise of the Agents' Option by certified cheque, bank draft or wire transfer dated the Agents' Option Closing Date payable to the Company. The Company will, at the Agent's Option Closing Time and upon such payment of the aggregate of all purchase prices applicable upon exercise of the Agents' Option to the Company, make payment in full of the Agency Fee in respect of the Additional Shares, and the estimated remaining expenses of the Agents, which shall be made by the Company directing Northern Securities to withhold the Agency Fee in respect of the Additional Shares and the remaining estimated expenses of the Agents from the payment of the aggregate of all purchase prices applicable upon exercise of the Agents' Option. Certificates shall be registered in the name of CDS & Co. or in such other name or names as the Agents may request.

ARTICLE 14 COMPENSATION OF THE AGENTS

- 14.1 *Agency Fee.* In return for the Agents' services, including acting as the Company's agents in arranging for the sale of the Offered Securities, acting as financial advisors to the Company, assisting it in the preparation of the Offering Documents and performing administrative work in connection with the sales of the Offered Securities, the Company shall pay to the Agents at the Closing Time and the Agents' Option Closing Time, as applicable, a cash commission equal to 7% of the aggregate gross proceeds of the Offered Securities sold pursuant to the terms of this agreement on such date (the "Agency Fee").
- 14.2 *Broker Warrants.* The Company has agreed to issue to the Agents Broker Warrants which entitle the Agents to purchase an aggregate number of Broker Shares equal to 7% of the number of Common Shares sold in the Offering (including Additional Shares issuable upon the exercise of the Over-Allotment Option) at a price of \$0.30 at any time until the day that is 24 months after the Closing Date.
- 14.3 The Agents acknowledge that none of the Broker Warrants or the Broker Shares issuable upon exercise of the Broker Warrants have been registered under the *U.S. Securities Act* or the securities laws of any state of the United States. In connection with the issuance of the Broker Warrants and the Broker Shares issuable upon exercise thereof, each of the Agents represents, warrants and covenants that (i) it is acquiring the Broker Warrants and will acquire such Broker Shares as principal for its own account and not for the benefit of any other person; (ii) it is not a U.S. Person and is not acquiring the Broker Warrants in the United States, or on behalf of a U.S. Person or a person located in the United States; and (iii) this Agreement was executed and delivered outside the United States. The Agents acknowledge and agree that the Broker Warrants may not be exercised in the United States or by or on behalf or for the benefit of a U.S. Person or a person in the

United States, unless such exercise is not subject to registration under the *U.S. Securities Act* or the securities laws of any state of the United States. The Agents agree that they will not engage in any Directed Selling Efforts (as defined in Schedule "A") with respect to any Broker Shares issuable upon exercise of the Broker Warrants, and will not offer or sell any Broker Warrants or such Broker Shares in the United States unless in compliance with an exemption or an exclusion from the registration requirements of the *U.S. Securities Act* and any applicable state securities laws.

ARTICLE 15 TERMINATION RIGHTS

- 15.1 All terms and conditions set out in this agreement shall be construed as conditions and any breach or failure by the Company to comply with any such conditions in favour of the Agents shall entitle the Agents to terminate their obligations, and the obligations to purchase any Offered Securities made by Purchasers and any obligations of affiliates, by written notice to that effect given to the Company prior to the Closing Time or (in respect of obligations to purchase Offered Securities thereat) the Agents' Option Closing Time, as applicable. The Company shall use its commercially reasonable efforts to cause all conditions in this agreement to be satisfied. It is understood that the Agents may waive, in whole or in part, or extend the time for compliance with, any of such terms and conditions without prejudice to their rights in respect of any subsequent breach or non-compliance, provided that to be binding on the Agents, any such waiver or extension must be in writing.
- 15.2 In addition to any other remedies which may be available to the Agents in respect of any default, act or failure to act, or non-compliance with the terms of this agreement by the Company, the Agents shall be entitled, at their option, to terminate and cancel, without any liability on the part of the Agents or the Purchasers, their obligations under this agreement and the obligations of Purchasers to purchase any Offered Securities and any obligation of affiliates, by giving written notice to the Company at any time at or prior to the Closing Time or (in respect of obligations to purchase Offered Securities thereat) the Agents' Option Closing Time, as applicable:
- (a) if after the date hereof and prior to the Closing Time or (in respect of obligations to purchase Offered Securities thereat) the Agents' Option Closing Time, as applicable, a general moratorium on commercial banking activities in Canada or the United States should be declared by the relevant authorities, or if, in relation to the Company, any inquiry, investigation or other proceeding (whether formal or informal) is commenced, threatened or announced, or any order or ruling is issued by any exchange or market, or any other regulatory authority in Canada or the United States, or if any law or regulation under or pursuant to any statute of Canada or of any province thereof or of the United States or any state or territory thereof is promulgated or changed, which moratorium, inquiry, investigation, proceeding, order, ruling, law or regulation, in the reasonable opinion of the Agents (or any of them), operates to prevent or materially restrict the distribution or trading of the Offered Securities;

- (b) if, after the date hereof and prior to the Closing Time or (in respect of obligations to purchase Offered Securities thereat) the Agents' Option Closing Time, as applicable, the state of financial markets in Canada or the United States or elsewhere where it is planned to market the Offered Securities is such that, or other circumstances of any kind exist such that, in the reasonable opinion of the Agents (or any of them), the Offered Securities cannot be marketed profitably;
 - (c) if, after the date hereof and prior to the Closing Time or (in respect of obligations to purchase Offered Securities thereat) the Agents' Option Closing Time, as applicable, in the reasonable opinion of the Agents (or any of them), a material change or a change in any material fact that would reasonably be expected to have a significant adverse effect on the market price or value of the Common Shares;
 - (d) if after the date hereof and prior to the Closing Time or (in respect of obligations to purchase Offered Securities thereat) the Agents' Option Closing Time, as applicable, there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence, including any military conflict, civil insurrection, or any terrorist action (whether or not in connection with such conflict or insurrection), which, in the Agents' reasonable opinion (or either one of them), seriously adversely affects or involves, or will seriously adversely affect or involve, the Canadian or United States financial markets or the business, operation or efforts of the Company;
 - (e) if at any time prior to the Closing Time or (in respect of obligations to purchase Offered Securities thereat) the Agents' Options Closing Time, as applicable, the Agents are not satisfied, acting reasonably, with the results of any due diligence investigations and examinations with respect to the Company conducted by or on behalf of the Agents subsequent to the date hereof; or
 - (f) if the Company is in material breach of any term, condition or covenant of this agreement, or any representation or warranty given by the Company in this agreement becomes or is materially false.
- 15.3 If the obligations of the Agents are terminated under this agreement pursuant to these termination rights, the liability of the Company to the Agents shall be limited to the obligations under Article 16, 17 and 18.

ARTICLE 16 INDEMNITY

- 16.1 The Company covenants and agrees to protect, indemnify, and save harmless, each of the Agents and their respective U.S. Affiliates, and each of their respective directors, officers, employees, affiliates and agents and each Person, if any, who controls any Agent or its U.S. Affiliates (individually, an "**Indemnified Party**" and collectively, the "**Indemnified Parties**"), against all losses (other than loss of profits), claims, damages, suits, liabilities, costs, or expenses (collectively, a "**Claim**") caused or incurred, whether directly or indirectly, including without limitation in connection with:

- (a) any misrepresentation or alleged misrepresentation contained in this Agreement, in the Prospectuses (or any amendments thereto), including all Documents Incorporated by Reference therein, filed in connection with the Offering;
 - (b) any statement (except for statements relating solely to the Agents and furnished by them specifically for use in the Preliminary Prospectus and Final Prospectus under the heading “Plan of Distribution”) contained in the Offering Documents or in any certificate of the Company delivered pursuant to this Agreement, which at the time and in the light of the circumstances under which it was made contains or is alleged to contain a misrepresentation or any misstatement of a material fact;
 - (c) the omission or alleged omission to state in the Offering Documents, or any certificate of the Company delivered hereunder or pursuant hereto, any material fact (other than a material fact relating solely to the Agents) required to be stated therein or necessary to make any statement therein not misleading in light of the circumstances in which it was made;
 - (d) any order made, or inquiry, investigation or proceeding commenced by any securities regulatory authority or other competent authority based upon any misrepresentation, untrue statement or omission or alleged untrue statement or omission in the Offering Documents, (except for information and statements relating solely to the Agents and furnished by them specifically for use in the Preliminary Prospectus and Final Prospectus under the heading “Plan of Distribution” or an omission relating solely to the Agents) that prevents or restricts the trading in any of the Company’s securities or the distribution of any of the Offered Securities or the Payment Shares in any of the Qualifying Jurisdictions;
 - (e) the Company not complying with any requirement of Canadian Securities Laws in connection with the Company’s continuous disclosure obligations or the transactions herein contemplated including the Company’s non-compliance with any statutory requirement to make any document available for inspection; or
 - (f) any material breach of a representation or warranty of the Company contained in this agreement or the failure of the Company to comply in any material respect with any of its obligations hereunder.
- 16.2 The Company agrees that in case any legal proceeding shall be brought against the Company and the Agents by any governmental commission or regulatory authority or any stock exchange or other entity having regulatory authority, either domestic or foreign, shall investigate the Company and the Agents and any personnel of the Agents 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 Company by the Agents, the Agents shall have the right to employ its own counsel in connection therewith, and the reasonable fees and expenses of such counsel as well as the reasonable costs (including an amount to reimburse the Agents for time spent by its Personnel in connection

therewith) and out-of-pocket expenses incurred by its Personnel in connection therewith shall be paid by the Company as they occur.

- 16.3 Promptly after receipt of notice of the commencement of any legal proceeding against any of the Indemnified Parties or after receipt of notice of the commencement of any investigation, which is based, directly or indirectly, upon any matter in respect of which indemnification may be sought from the Company, the Agents will notify the Company in writing of the commencement thereof and, throughout the course thereof, will provide copies of all relevant documentation to the Company, will keep the Company advised of the progress thereof and will discuss with the Company all significant actions proposed. The omission so to notify the Company shall not relieve the Company of any liability which the Company may have to the Indemnified Parties except only to the extent that any such delay in giving or failure to give notice as herein required materially prejudices the defence of such action, suit, proceeding, claim or investigation or results in any material increase in the liability which the Company would otherwise have under this indemnity had the Agents not so delayed in giving or failed to give the notice required hereunder.
- 16.4 The Company shall be entitled, at its own expense, to participate in and, to the extent it may wish to do so, assume the defence thereof, provided such defence is conducted by experienced and competent counsel. Upon the Company notifying the Agents in writing of its election to assume the defence and retaining counsel, the Company shall not be liable to the Agents for any legal expenses subsequently incurred by them in connection with such defence. If such defence is assumed by the Company, the Company throughout the course thereof will provide copies of all relevant documentation to the Agents, will keep the Agents advised of the progress thereof and will discuss with the Agents all significant actions proposed.
- 16.5 Notwithstanding the foregoing paragraph, the Agents shall have the right, at the Company's expense, to employ counsel of the Agents' choice, in respect of the defence of any action, suit, proceeding, claim or investigation if: (i) the employment of such counsel has been authorized by the Company; or (ii) the Company has not assumed the defence and employed counsel therefor within a reasonable time after receiving notice of such action, suit, proceeding, claim or investigation; or (iii) counsel retained by the Company or the Agents has advised that representation of both parties by the same counsel would be inappropriate for any reason, including without limitation because there may be legal defences available to the Company which are different from or in addition to those available to the Indemnified Parties (in which event and to that extent, the Company shall not have the right to assume or direct the defence on the Agents' behalf) or that there is a conflict of interest between the Company and the Agents or the subject matter of the action, suit, proceeding, claim or investigation may not fall within the indemnity set forth herein (in either of which events the Agents shall not have the right to assume or direct the defence on the Company's behalf).
- 16.6 No admission of liability and no settlement of any action, suit, proceeding, claim or investigation shall be made without the consent of the Agents or other parties affected (such consent not to be unreasonably withheld or delayed). No admission of liability shall

be made and the Company shall not be liable for any settlement of any action, suit, proceeding, claim or investigation made without its consent (such consent not to be unreasonably withheld or delayed).

- 16.7 The indemnity and contribution obligations of the Company shall be in addition to any liability which the Company may otherwise have, shall extend upon the same terms and conditions to all Indemnified Parties and shall be binding upon and enure to the benefit of any of the respective successors, assigns, heirs and personal representatives of the Company and the Indemnified Parties. The foregoing provisions shall survive the completion of professional services rendered under this agreement and the termination of this agreement.
- 16.8 To the extent that any Indemnified Party is not a party to this agreement, the Agents shall obtain and hold the right and benefit of this section in trust for and on behalf of such Indemnified Party.
- 16.9 The rights contained in this Article shall not enure to the benefit of any Indemnified Party if the Agents were provided with a copy of any amendment or supplement to the Offering Documents which corrects any misrepresentation, untrue statement or omission or alleged misrepresentation, untrue statement or omission that is the basis of a Claim by a party against such Indemnified Party and that is required, under the Applicable Securities Laws, to be delivered to such party by the Agents, and such amendment or supplement was not distributed by the Agents in a timely fashion.
- 16.10 The rights contained in this Article shall not enure to the benefit of any Indemnified Party to the extent that any such Claim arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission or misrepresentation or alleged misrepresentation made in any Offering Document in reliance upon and in conformity with written information concerning the Agents furnished to the Company by the Agents in writing specifically for use therein under the heading "Plan of Distribution".
- 16.11 The Company shall not be liable under this Article for any settlement of any Claim or action effected without its prior written consent, which shall not be unreasonably withheld.
- 16.12 The foregoing indemnity shall cease to apply if and to the extent that a court of competent jurisdiction in a final judgment that has become non-appealable shall determine that such Claims to which the Indemnified Party may be subject were caused by the negligence, bad faith, fraud, fraudulent misrepresentation or wilful misconduct of the Indemnified Party.

ARTICLE 17 CONTRIBUTION

- 17.1 In the event that the indemnity provided for in Article 16 is declared by a court of competent jurisdiction to be illegal or unenforceable as being contrary to public policy or for any other reason, the Agents and the Company shall contribute to the aggregate of all losses, claims, costs, damages, expenses or liabilities of the nature provided for above

such that each Agent shall be responsible for that portion represented by the percentage that the portion of the Agency Fee payable by the Company to such Agent bears to the gross proceeds realized by the Company from the Offering, whether or not the Agents have been sued together or separately, and the Company shall be responsible for the balance; provided that, in no event, shall an Agent be responsible for any amount in excess of the portion of the Agency Fee actually received by such Agent. In the event that the Company, or any of them may be held to be entitled to contribution from the Agents under the provisions of any statute or law, the Company shall be limited to contribution from an Agent in an amount not exceeding the lesser of: (a) the portion of the full amount of losses, claims, costs, damages, expenses or liabilities giving rise to such contribution for which such Agent is responsible; and (b) the amount of the Agency Fee actually received by such Agent. Notwithstanding the foregoing, a person guilty of negligence, bad faith, fraud, fraudulent misrepresentation or wilful misconduct shall not be entitled to contribution from any other party. Any party entitled to contribution will, promptly after receiving notice of commencement of any Claim, action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this section, notify such party or parties from whom contribution may be sought, but the omission to so notify such party shall not relieve the party from whom contribution may be sought from any obligation it may have otherwise under this section, except to the extent that the party from whom contribution may be sought is prejudiced by such omission. The right to contribution provided herein shall be in addition and not in derogation of any other right to contribution which the Agents may have by statute or otherwise by law.

ARTICLE 18 EXPENSES

- 18.1 Whether or not the transactions contemplated by this agreement shall be completed, all expenses of or incidental to the issue, sale and delivery of the Offered Securities and all expenses of or incidental to all other matters in connection with the transactions set out in this agreement shall be borne directly by the Company including all fees and expenses payable in connection with the qualification of the Offered Securities for distribution, the fees relating to listing of the Offered Securities on any exchange, translation costs, filing fees, all fees and disbursements of the Company's Counsel, accountants and auditors, and local counsel, all reasonable fees and disbursements of the Agents' Counsel, the reasonable fees and expenses relating to the marketing of the Offered Securities (including "road shows", marketing meetings and marketing documentation) and all reasonable out-of-pocket expenses of the Agents including all travel expenses in connection with due diligence and marketing and all costs incurred in connection with the preparation, printing and mailing of the Offering Documents, and the reasonable fees and disbursements of legal counsel of the Agents (to a maximum of \$90,000, exclusive of disbursements and applicable taxes). The Company shall also be responsible for any exigible Harmonized Sales Tax or other goods and services taxes on the foregoing amounts. The Company covenants and agrees to fully reimburse the Agents from time to time for all such expenses as soon as practical following the receipt by the Company of one or more invoices.

**ARTICLE 19
ACTION BY AGENTS**

- 19.1 All steps which must or may be taken by the Agents in connection with this agreement, with the exception of the matters relating to termination contemplated by Article 15, may be taken by Northern Securities on behalf of themselves and the other Agent, and the execution of this agreement by the Company and the Agents shall constitute the Company's authority for accepting notification of any such steps from, and for delivering the definitive documents constituting the Offered Securities to, or to the order of, Northern Securities.

**ARTICLE 20
GOVERNING LAW**

- 20.1 This agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, without reference to conflicts of law rules. The parties hereto irrevocably attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario, sitting in the City of Toronto with respect to any disputes related to this agreement.

**ARTICLE 21
SURVIVAL OF WARRANTIES, REPRESENTATIONS, COVENANTS AND
AGREEMENTS**

- 21.1 Except as expressly provided for in this agreement, all warranties, representations, covenants and agreements of the Company herein contained, or contained in documents submitted or required to be submitted pursuant to this agreement, shall survive each applicable Closing Date and shall continue in full force and effect for the following periods regardless of the issue and sale of the Offered Securities and the Payment Shares and regardless of any investigation which may be carried on by the Agents, or on their behalf:

- (a) in respect of a Claim pursuant to any Canadian Securities Laws, for a period equal to two years from the Final Closing Date, and
- (b) in respect of any other Claim, three years following the Final Closing Date,

provided that thereafter such representations and warranties shall survive but only for purposes of Claims made pursuant to Article 16 of this Agreement as a result of Claims having been made against one or more Indemnified Parties by third parties.

**ARTICLE 22
NOTICES**

- 22.1 All notices or other communications by the terms hereof required or permitted to be given by one party to another shall be given in writing by personal delivery or by facsimile delivered or facsimile to such other party as follows:

(a) to the Company at:

Northern Financial Corporation
145 King Street West
Suite 2020
Toronto, Ontario M5H 1J8

Attention: Vic Alboini
Facsimile No.: 416-644-0270

with a copy (which shall not constitute notice) to:

Fogler Rubinoff LLP
95 Wellington Street West
Suite 1200,
Toronto Dominion Centre
Toronto, Ontario M5J 2Z6

Attention: Eric Roblin
Facsimile No.: 416-941-8852

(b) to the Agents at:

Northern Securities Inc.
145 King Street West
Suite 2020
Toronto, Ontario M5H 1J8

Attention: Vic Alboini
Facsimile No.: 416-644-0270

Byron Capital Markets Ltd.
357 Bay Street
Suite 800,
Toronto, Ontario M5H 2T7

Attention: Rob Orviss
Facsimile No.: 416-867-1020

with a copy (which shall not constitute notice) to:

Fasken Martineau DuMoulin LLP
333 Bay Street, Suite 2400,
Bay Adelaide Centre, Box 20
Toronto, Ontario M5H 2T6

Attention: Sean Stevens
Facsimile No.: 416-364-7813

or at such other address or facsimile number as may be given by either of them to the other in writing from time to time and such notices or other communications shall be deemed to have been received when delivered or, if facsimile, on the next business day after such notice or other communication has been facsimile (with receipt confirmed).

**ARTICLE 23
MARKET STABILIZATION**

- 23.1 In connection with the Offering, the Agents may effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those that might otherwise prevail in the open market, provided that any such transactions are in accordance with the Universal Market Integrity Rules. Such transactions, if commenced, may be discontinued at any time.

**ARTICLE 24
COUNTERPARTS/FACSIMILE SIGNATURES**

- 24.1 This agreement may be executed by any one or more of the parties in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument. The transmission by facsimile of a copy of the execution page hereof reflecting the execution of this agreement by any party hereto shall be effective to evidence that party's intention to be bound by this agreement and that party's agreement to the terms, provisions and conditions hereof, all without the necessity of having to produce an original copy of such execution page.

**ARTICLE 25
TIME OF THE ESSENCE**

- 25.1 Time shall be of the essence in this agreement.

**ARTICLE 26
SEVERABILITY**

- 26.1 If any provision of this agreement is determined to be void or unenforceable, in whole or in part, such void or unenforceable provision shall not affect or impair the validity of any other provision of this agreement and shall be severable from this agreement.

**ARTICLE 27
ENTIRE AGREEMENT**

- 27.1 Except as provided otherwise in this section, this agreement constitutes the entire agreement between the Agents and the Company relating to the subject matter hereof and supersedes all prior agreements between the Agents and the Company, including the engagement letter between Northern Securities and the Company dated November 19, 2010.

ARTICLE 28 CONFLICT OF INTEREST

28.1 The Company: (i) acknowledges and agrees that the Agents have certain statutory obligations as registrants under the Canadian Securities Laws and have fiduciary relationships with their respective clients; and (ii) consents to the Agents acting hereunder while continuing to act for their respective clients. To the extent that the Agents' statutory obligations as registrant under the Canadian Securities Laws or fiduciary relationships with their respective clients conflict with their obligations hereunder, the Agents shall be entitled to fulfil their statutory obligations as registrant under the Canadian Securities Laws and their fiduciary duties to their respective clients. Nothing in this agreement shall be interpreted to prevent the Agents from fulfilling their statutory obligations as registrant under the Canadian Securities Laws or to satisfy their fiduciary duties to their clients.

ARTICLE 29 ANNOUNCEMENTS

- 29.1 Prior to the Closing Time, neither the Company nor the Agents will make any public announcement concerning this agreement or the Offering, except if the other party has consented to such announcement or the announcement is required by applicable Laws or stock exchange rules and such announcement complies with applicable Laws. In such event, the party proposing to make the announcement will provide the other party with a reasonable opportunity to review a draft of the proposed announcement and an opportunity to provide comments thereon.
- 29.2 If so requested by the Agents, the Company shall include a reference to the Agents and their role (and the role of Northern Securities, as lead Agent) in any press release or other public communication issued by the Company as long as such reference complies with applicable Laws. If the Offering is successfully completed, Northern Securities shall have the right to place advertisements in financial and other newspapers and journals and presentations, at its own expense, describing its services to the Company hereunder and, in that regard, shall have the right to include therein the name and corporate logo of the Company.
- 29.3 Notwithstanding the foregoing, nothing contained in this section shall prevent the Company from issuing a press release forthwith in the event that counsel advises that it is necessary in order to comply with Canadian Securities Laws or the rules or policies of the TSX.

ARTICLE 30 GENERAL

30.1 The parties hereby acknowledge that they have expressly required this agreement and all notices, statements of account and other documents required or permitted to be given or entered into pursuant hereto to be drawn up in the English language only. **Les parties reconnaissent avoir expressement demandé que la présente Convention ainsi que**

tout avis, tout état de compte et tout autre document à être ou pouvant être donné ou conclu en vertu des dispositions des présentes, soient rédigés en langue anglaise seulement.

**ARTICLE 31
WIRE TRANSFERS**

- 31.1 In order to facilitate an efficient and timely closing at the Closing Time, the Agents may choose to initiate a wire transfer of funds to the Company prior to the Closing Time. If the Agents do so, the Company agrees that such transfer of funds to the Company prior to the Closing Time does not constitute a waiver by the Agents of any of the conditions of the Closing or the closing of the Agents' Option set out in this agreement. Furthermore, the Company agrees that any such funds received from the Agents prior to the Closing Time will be held by the Company in trust solely for the benefit of the Agents until the Closing Time, and, if the Closing or the closing of the Agents' Option, as the case may be, does not occur at the scheduled Closing Time, such funds shall be immediately returned by wire transfer to Northern Securities, on behalf of the Agents. Upon the satisfaction of the conditions of the Closing or the closing of the Agents' Option, as the case may be, the funds held by the Company in trust for the Agents shall be deemed to be delivered and released by the Agents to the Company in satisfaction of the obligation of the Agents hereunder and upon such delivery the trust constituted by this section shall be terminated without further formality.

**ARTICLE 32
ACCEPTANCE**

32.1 If this agreement accurately reflects the terms of the transaction which we are to enter into and if such terms are agreed to by the Company, please communicate your acceptance by executing where indicated below and returning by facsimile one copy and an originally executed copy to Northern Securities.

Yours very truly,

NORTHERN SECURITIES INC.

Per: "Vic Alboini"
Name: Vic Alboini
Title: Authorized Signing Officer

BYRON CAPITAL MARKETS LTD.

Per: "Robert Orviss"
Name: Robert Orviss
Title: Authorized Signing Officer

The foregoing accurately reflects the terms of the transaction that we are to enter into and such terms are agreed to.

ACCEPTED at Toronto as of this 25th day of February 2011.

**NORTHERN FINANCIAL
CORPORATION**

Per: "Vic Alboini"
Name: Vic Alboini
Title: President and Chief Executive Officer

SCHEDULE "A"

TERMS AND CONDITIONS FOR UNITED STATES SECURITIES LAWS COMPLIANCE

This is Schedule "A" to the Agency Agreement among Northern Securities Inc., Byron Capital Markets Ltd. and Northern Financial Corporation. made as of February 25, 2011.

As used in this Schedule, capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the agreement to which this Schedule is annexed and the following terms shall have the meanings indicated:

"Directed Selling Efforts" means "directed selling efforts" as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule, it means, subject to the exclusions from the definition of "directed selling efforts" contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Offered Securities, and includes the placement of any advertisement in a publication with a general circulation in the United States that refers to the Offering;

"Final U.S. Placement Memorandum" means the U.S. private placement memorandum, in a form satisfactory to the Agents and the Company, each acting reasonably, attached to the Final Prospectus, for use in connection with offers and sales of the Offered Securities to persons who are in the United States or are, or are acting for the account or benefit of, U.S. Persons;

"Foreign Issuer" means a "foreign issuer" as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity, it means, any issuer which is (a) the government of any country other than the United States, of any political subdivision thereof or a national of any country other than the United States; or (b) a corporation or other organization incorporated or organized under the laws of any country other than the United States, except an issuer meeting the following conditions as of the last business day of its most recently completed second fiscal quarter: (1) more than 50 percent of the outstanding voting securities of such issuer are directly or indirectly owned of record by residents of the United States; and (2) any of the following: (i) the majority of the executive officers or directors are United States citizens or residents, (ii) more than 50 percent of the assets of the issuer are located in the United States, or (iii) the business of the issuer is administered principally in the United States;

"General Solicitation or General Advertising" means "general solicitation or general advertising", as used under Rule 502(c) of Regulation D. Without limiting the foregoing, but for greater clarity, it includes, but is not limited to, any advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or the Internet or broadcast over radio, Internet or television, or any seminar or meeting whose attendees had been invited by General Solicitation or General Advertising;

“Institutional Accredited Investor” means an institution that is an “accredited investor” that satisfies of the criteria set forth in Rule 501(a)(1), (2), (3) or (7) of Regulation D;

“Offshore Transaction” means an “offshore transaction” as that term as defined in Regulation S;

“Preliminary U.S. Placement Memorandum” means the U.S. private placement memorandum, in a form satisfactory to the Agents and the Company, each acting reasonably, attached to a copy of the Preliminary Prospectus for use in connection with offers and sales of Offered Securities to persons who are in the United States or are, or are acting for the account or benefit of, U.S. Persons;

“Securities” means the Offered Securities and any Broker Shares issued upon exercise of the Broker Warrants;

“Substantial U.S. Market Interest” means “substantial U.S. market interest” as that term is defined in Regulation S.; and

“U.S. Person” means a “U.S. person” as that term is defined Regulation S.

Representations, Warranties and Covenants of the Agents

Each Agent severally but not jointly acknowledges that the Securities have not been and will not be registered under the *U.S. Securities Act* or applicable state securities laws and the Offered Securities may be offered and sold only in transactions exempt from or not subject to the registration requirements of the *U.S. Securities Act* and applicable state securities laws.

Each Agent severally but not jointly represents, warrants, covenants and agrees to and with the Company that:

1. It has not offered, and will not offer, any Offered Securities except (a) outside the United States in an Offshore Transaction in accordance with Rule 903 of Regulation S or (b) in the United States or to, or for the account or benefit of, a U.S. Person or person in the United States in accordance with Rule 506 of Regulation D as provided in paragraphs 2 through 11 below. Accordingly, none of the Agent, its affiliates or any person acting on its or their behalf, has made or will make (except as permitted in paragraphs 2 through 11 below) (i) any offer to sell or any solicitation of an offer to buy any Offered Securities to any person in the United States or to, or for the account or benefit of a U.S. Person or person in the United States, (ii) any sale of Offered Securities to any purchaser unless, at the time the buy order was or will have been originated, the purchaser was outside the United States and not a U.S. Person, or such Agent, affiliate or person acting on its or their behalf reasonably believed that such purchaser was outside the United States and not a U.S. Person.
2. Any offer, sale or solicitation of any offer to buy Offered Securities that has been made or will be made in the United States or to, or for the account or benefit of, U.S. Persons was, or will be made only to Institutional Accredited Investors who purchase Offered

Securities directly from the Company in compliance with Rule 506 of Regulation D as contemplated in this Schedule.

3. It has not entered and will not enter into any contractual arrangement with respect to the distribution of the Offered Securities except with its affiliates (including its U.S. Affiliate), any selling group members or with the prior written consent of the Company. It shall require each of its U.S. Affiliates and each selling group member to agree, for the benefit of the Company, to comply with, and shall use its best efforts to ensure that each of its U.S. Affiliates and each selling group member complies with, the same provisions of this Schedule as apply to such Agent as if such provisions applied to such U.S. Affiliate and selling group member.
4. None of the Agent, its affiliates, or any persons acting on its or their behalf, has engaged or will engage, in any Directed Selling Efforts in the United States.
5. All offers of Offered Securities in the United States shall be made through the Agent's U.S. Affiliate in compliance with all applicable U.S. federal and state broker-dealer requirements. Such U.S. Affiliate was on the dates of such offers and will be on each Closing Date and any Agents' Option Closing Date a duly registered broker-dealer with the SEC and under the securities laws of each state in which such offers and sales were made (unless exempted from the respective state's broker-dealer registration requirements), and a member in good standing with the Financial Industry Regulatory Authority, Inc.
6. All offers to sell and solicitations of offers to buy the Offered Securities in the United States and to, or for the account or benefit of, U.S. Persons by the Agent, its U.S. Affiliate or any person acting on its or their behalf shall not be made by any form of General Solicitation or General Advertising or in any manner involving a public offering within the meaning of Section 4(2) of the *U.S. Securities Act*.
7. All offers to sell and solicitations of offers to buy the Offered Securities in the United States and to, or for the account or benefit of, U.S. Persons shall be made pursuant to the exemption from the registration requirements of the *U.S. Securities Act* available under Rule 506 of Regulation D, only to persons reasonably believed to be Institutional Accredited Investors who will purchase the Offered Securities directly from the Company in compliance with Rule 506 of Regulation D, which persons each shall execute and deliver at Closing Time to the Company, the Agents and their U.S. Affiliates a subscription agreement in the form agreed to by the Agent and the Company.
8. Each offeree in the United States or who is, or is acting for the account or benefit of, a U.S. Person has been or shall be provided by the Agent through its U.S. Affiliate, with one or both of the Preliminary U.S. Placement Memorandum and/or the Final U.S. Placement Memorandum, and each purchaser of Offered Securities in the United States or who is, or is acting for the account or benefit of, a U.S. Person will have received prior to the time of purchase of any Offered Securities the Final U.S. Placement Memorandum.

9. At the Closing Time, the Agent, together with its U.S. Affiliate offering and selling Offered Securities in the United States will either (i) provide a certificate, substantially in the form of Exhibit A to this Schedule relating to the manner of the offer and sale of the Offered Securities or (ii) be deemed to represent and warrant that no offers or sales of Offered Securities were made in the United States.
10. At least one business day prior to closing, the Company and its transfer agent will be provided with a list of purchasers of Offered Securities in the United States or who are, or are purchasing for the account or benefit of, U.S. Persons.
11. None of the Agent, its affiliates or any person acting on its or their behalf has taken or will take, directly or indirectly, any action in violation of Regulation M under the *U.S. Exchange Act* in connection with the offer and sale of the Offered Securities.

Representations, Warranties and Covenants of the Company

The Company represents, warrants, covenants and agrees that:

12. (a) The Company is a Foreign Issuer and reasonably believes there is no Substantial U.S. Market Interest in the Common Shares; (b) the Company is not now, and as a result of the sale of Offered Securities contemplated hereby, will not be registered or required to be registered as an “investment company” under the *United States Investment Company Act of 1940*, as amended; and (c) none of the Company, its affiliates, or any person acting on its or their behalf (other than the Agents, their U.S. Affiliates and any person acting on their behalf, as to which no representation, warranty, covenant or agreement is made) has made or will make any Directed Selling Efforts in the United States, has engaged or will engage in any form of General Solicitation or General Advertising in connection with the offer or sale of the Offered Securities in the United States and to, or for the account or benefit of, U.S. Persons or has engaged in any manner involving a public offering with the meaning of Section 4(2) of the *U.S. Securities Act*.
13. Except with respect to offers and sales in accordance with this Schedule to Institutional Accredited Investors in reliance upon an exemption from registration available under Rule 506 of Regulation D, none of the Company, its affiliates or any person acting on its or their behalf (other than the Agents, their U.S. affiliates and any person acting on their behalf, as to which no representation is made) has made or will make: (a) any offer to sell, or any solicitation of an offer to buy, any Offered Securities to a person in the United States, or (b) any sale of Offered Securities unless, at the time the buy order was or will have been originated, the purchase is (i) outside the United States or (ii) the Company, its affiliates and any person acting on its or their behalf reasonably believe that the purchaser is outside the United States.
14. During the period in which the Offered Securities are offered for sale, none of it, its affiliates or any person acting on its or their behalf (other than the Agents, their respective affiliates or any person acting on its or their behalf, in respect of which no representation, warranty, covenant or agreement is made) has taken or will take any action in violation of Regulation M under the *U.S. Exchange Act*.

15. Except with respect to the offer and sale of the Offered Securities offered hereby, the Company has not, within six months before the commencement of the offering of the Offered Securities, offered or sold any securities in a manner that would be integrated with the offer and sale of the Offered Securities and would cause the exemption from registration set forth in Rule 506 of Regulation D to become unavailable with respect to the offer and sale of the Offered Securities in the United States and to, or for the account or benefit of, U.S. Persons.
16. For so long as the Securities are “restricted securities” within the meaning of Rule 144 under the *U.S. Securities Act* and cannot be sold pursuant to Rule 144(b)(1) under the *U.S. Securities Act*, the Company will, if it is not subject to the reporting requirements of Section 13 or Section 15(d) of the *United States Securities Exchange Act of 1934*, as amended, and not exempt from such requirements pursuant to Rule 12g3-2(b) thereunder, or if it is subject to such reporting requirements and fails to comply therewith, provide to any holder of the Securities, or to any prospective purchaser of those Securities designated by a holder, upon the request of that holder or prospective purchaser, at or prior to the time of resale, the information required to be provided by Rule 144A(d)(4) under the *U.S. Securities Act* (so long as that requirement is necessary in order to permit holders of the Securities to effect resales under Rule 144A under the *U.S. Securities Act*).
17. Neither the Company nor any of its predecessors or affiliates has been subject to any order, judgment, or decree of any court of competent jurisdiction temporarily, preliminarily or permanently enjoining such person for failure to comply with Rule 503 of Regulation D.

EXHIBIT A
AGENTS' CERTIFICATE

In connection with the private placement in the United States (the “**U.S. Purchasers**”) of the Offered Securities (as defined in the Agency Agreement) of Northern Financial Corporation (the “**Company**”) pursuant to the Agency Agreement dated as of February 25, 2011 among the Company and the Agents named therein (the “**Agency Agreement**”), each of the undersigned does hereby certify severally but not jointly as follows:

- (i) The Offered Securities have been offered in the United States only by the U.S. Affiliate of the Agent, which was on the dates of such offers and sales, and is on the date hereof, a duly registered broker or dealer with the SEC and under the securities laws of each state in which such offers and sales were made (unless exempted from the respective state’s broker-dealer registration requirements) and was and is a member of, and in good standing with, the Financial Industry Regulatory Authority, Inc.;
- (ii) All offers and sales of the Offered Securities in the United States will be effected by the Agent’s U.S. Affiliate in accordance with all U.S. federal and state broker-dealer requirements;
- (iii) Each offeree of the Agent’s U.S. Affiliate that was in the United States was provided with a copy of one or both of the Preliminary U.S. Placement Memorandum and/or the Final U.S. Placement Memorandum, and each purchaser of Offered Securities in the United States, prior to the sale of Offered Securities to such purchaser, was provided with a copy of the Final U.S. Placement Memorandum, and no other written material has been used by us in connection with the offering of the Offered Securities;
- (iv) Immediately prior to our transmitting any such materials to any other offeree of Offered Securities in the United States, we had reasonable grounds to believe and did believe that each such offeree was an Institutional Accredited Investor and, on the date hereof, we continue to believe that each person purchasing Offered Securities from the Company in the United States is an Institutional Accredited Investor;
- (v) No form of General Solicitation or General Advertising was used in connection with the offer or sale of the Offered Securities in the United States by the Agent or its U.S. Affiliate;
- (vi) Prior to any sale of Offered Securities in the United States by the Agent’s U.S. Affiliate it caused the purchaser to sign and deliver a U.S. subscription agreement, in the form agreed to by the Company and the Agents; and

- (vii) The offering of the Offered Securities in the United States has been conducted by the Agent in accordance with the terms of the Agency Agreement, including Schedule "A" thereto.

Terms used in this certificate have the meanings given to them in the Agency Agreement (including Schedule "A" thereto) unless otherwise defined herein.

Dated this _____ day of _____, 2011.

[Agent]

[U.S. Affiliate]

By:

By:

Authorized Signing Officer

Authorized Signing Officer