

March 12, 2013

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File No. 242612

BY E-MAIL AND COURIER

Ontario Securities Commission
20 Queen Street West, Suite 1903
Toronto, Ontario M5H 3S8

Attention: Office of the Secretary

Dear Sirs/Mesdames,

Re: CGX Energy Inc. – Application for a Cease Trade Order Pursuant to Section 127 of the Securities Act (Ontario) (the "Act")

We are counsel for CGX Energy Inc. ("**CGX**" or the "**Company**"). The Company is hereby applying for orders under subsection 127(1) of the Act in connection with the shareholder rights plan adopted by the Company as of May 24, 2011, as amended (the "**Rights Plan**"). We hereby request that this matter be heard by hearing in writing to be held on or before March 21, 2013.

As described in more detail below, the Company has significant overdue liabilities that come due under threat of legal proceedings on March 22, 2013. The relief requested in this application is a condition to closing of a private placement transaction with a related party that will enable the Company to discharge this obligation and the Company's other short term liabilities. We have requested that a hearing be held by no later than March 21 (i) to ensure that sufficient notice of the hearing can be given to the public and CGX's shareholders and (ii) to provide the Company with sufficient time to address any questions, inquiries or concerns of the Ontario Securities Commission (the "**Commission**") in advance of the March 22 deadline referred to above.

In this application (the "**Application**"), the Company seeks the following relief from the Commission:

- (a) a permanent order pursuant to paragraph 2 of subsection 127(1) of the Act that all trading cease in respect of any securities issued, or that are proposed to be issued, in connection with the Rights Plan including, without limitation, in respect of any rights issued or to be issued under the Rights Plan ("**Rights**") and any common shares of the Company to be issued upon the exercise of such Rights;

- (b) a permanent order under paragraph 3 of subsection 127(1) of the Act removing prospectus exemptions in respect of the distribution of Rights issued under or in connection with the Rights Plan and in respect of the exercise of such Rights; and
- (c) such further and other relief as the Commission deems appropriate.

I. BACKGROUND AND SUMMARY OF FACTS

CGX Energy Inc.

1. CGX was incorporated under the laws of Ontario and is a reporting issuer or its equivalent in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador. It is a TSX Venture Exchange ("**TSXV**") listed issuer, with ticker symbol "OYL".

2. The Company is currently engaged in oil and gas exploration and holds three Petroleum Agreements and corresponding Petroleum Prospecting Licenses issued by the Government of Guyana.

3. On May 7, 2012, CGX announced that cost estimates for its wholly-owned Eagle-1 well had increased from \$55 million to an estimated \$71 million, resulting in the need to raise approximately \$20 million in the near term. Shortly after its May 7 announcement, CGX was approached by GMP Securities L.P. regarding a potential investment by Pacific Rubiales Energy Corp. ("**Pacific Rubiales**"), an existing shareholder of CGX, that would meet CGX's near term financing needs. On May 27, 2012, CGX became aware that cost estimates for the Eagle-1 well were in fact approximately 10% higher than the estimated \$71 million announced on May 7, 2012, further exacerbating CGX's near term financing needs.

4. In light of its near term need for funding, the lack of certainty surrounding other financing alternatives, favourable pricing proposed by Pacific Rubiales (at a premium to the relevant closing prices of the Company's common shares on the TSXV), the technical cooperation, expertise and assistance being offered by Pacific Rubiales and other relevant factors, CGX agreed to terms with Pacific Rubiales for a private placement. The financial difficulties of the Company and proposed transaction were disclosed on May 28, 2012. A copy of that press release is attached as Exhibit "A".

5. CGX completed the private placement to Pacific Rubiales in July 2012 (the "**2012 Placement**") that resulted in PRE becoming a "control person" under the policies of the TSXV. CGX obtained disinterested shareholder approval and the approval of the TSXV for Pacific Rubiales to become a control person of the Company. Majority of the minority approval under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") and TSXV Policy 5.9 – *Protection of Minority Security Holders in Special Transactions* ("**TSXV Policy 5.9**") (which incorporates the provisions of MI 61-101) was not required because the Company was exempt from such requirements under section 5.7(1)(a) (fair market value no more than 25 per cent of market capitalization) of MI 61-101.

6. In connection with obtaining disinterested shareholder approval for Pacific Rubiales to become a control person of the Company, CGX also obtained the authorization of disinterested shareholders to make such amendments to the Rights Plan as were necessary to ensure that the 2012 Placement could be completed without triggering its dilutive effects. CGX entered into an amendment to the shareholder rights plan agreement with Equity Financial Trust Company dated July 9, 2012 (the "**Rights Plan Amendment**") to permit the 2012 Placement without Pacific Rubiales becoming an "Acquiring Person" under the terms of the Rights Plan.

Financial Hardship

7. As noted in its press release of February 27, 2013 (the "**February 27 Release**") and its corresponding material change report of March 8, 2013, the Company is in serious financial difficulty and is facing financial hardship. A copy of the February 27 Release and related material change report are attached hereto as Exhibit "B".

8. At the date hereof, CGX has outstanding current payables in excess of \$1.2 million and other near term G&A obligations (including payroll and rent) of an additional \$780,000. It has cash-on-hand of approximately \$2.0 million. In addition, the Company owes approximately US\$15 million (the "**JV Liabilities**") to its joint venture partners, Repsol Exploracion S.A. ("**Repsol**"), Tullow Guyana B.V. and YPF S.A. (together, the "**JV Partners**"), for unpaid cash calls relating to an offshore well drilled last year on the Georgetown concession located on a joint venture property. A six month budget of sources and uses of capital provided by the Company is attached as Exhibit "C".

9. Following a series of demand letters from Repsol, the operator of the Georgetown concession, dating back to November 26, 2012, and the expiry of all applicable cure periods, the JV Partners agreed to defer payment of the JV Liabilities until March 22, 2013 (the "**JV Repayment Deadline**"), failing which Repsol has advised that it will immediately seek to enforce the debt through the arbitration provisions in the joint venture agreement.

10. CGX has not requested that the JV Repayment Deadline be further extended.

11. As an exploration company, CGX has no material sources of income and relies exclusively on capital raising initiatives to fund its exploration activities.

The Private Placement

12. Over the past 10 months, the Company has explored and exhausted every known alternative to address its precarious financial position. Throughout the course of this period, the Company, with the assistance of its financial advisor Credit Suisse, sought out and evaluated financing alternatives, potential transactions (including farm-in and alternative private placement transactions) and other strategic alternatives. However, other than the 2012 Placement with Pacific Rubiales, none of these efforts produced any viable options for the Company.

13. Faced with dwindling financial resources and no other alternatives, on February 27, 2013, the Company's board of directors (the "Board") approved a private placement (the "**Private Placement**") with the Company's largest shareholder, Pacific Rubiales,

14. Prior to approving the Private Placement, the Company's independent directors determined that the Company was insolvent and in serious financial difficulty and that the Private Placement was designed to improve the financial position of the Company.

15. Pursuant to the Private Placement, the Company agreed to issue 250,000,000 units to Pacific Rubiales at a price of \$0.14 per unit for total consideration of \$35 million. Each unit will be comprised of one common share of the Company (a "**Common Share**") and one Common Share purchase warrant with an exercise price of \$0.20 per Common Share and a term of 5-years from the date of the issuance of the units. It is also contemplated that there will be a relatively small retail component to the private placement which, subject to TSXV approval, will include a few insiders. The closing price of the Common Shares on March 11, 2013 (the last trading day prior to the date of this Application) was \$0.12 per Common Share. A copy of the Private Placement term sheet is attached hereto as Exhibit "D".

16. In addition to Pacific Rubiales which, as noted below, is an insider of CGX, Dr. Suresh Narine, CGX's Executive Chairman intends to participate in the Private Placement. Mr. Narine has been a principal representative of the Company in the negotiations with Pacific Rubiales.

17. Other than Dr. Narine, no insider participating in the Private Placement was involved in the negotiations with Pacific Rubiales.

18. Pacific Rubiales currently owns 144,434,285 Common Shares, representing approximately 35% of the Company's outstanding Common Shares. Accordingly, Pacific Rubiales is an insider of the Company and the Private Placement is considered a related party transaction for purposes of MI 61-101 and TSXV Policy 5.9 which incorporates the provisions of MI 61-101.

19. The private placement will result in Pacific Rubiales holding approximately 60% of CGX's Common Shares on an undiluted basis. If the warrants issued under the private placement are exercised, Pacific Rubiales will hold approximately 70% of the outstanding Common Shares.

20. Pacific Rubiales also holds warrants issued in connection with the 2012 Placement but as of the date hereof, they are significantly out of the money. These warrants expire in early 2014.

21. The Board believes that the Private Placement is the only viable option that will enable the Company to discharge its near term obligations (including the obligation to the JV Partners).

22. In order to close the Private Placement before the JV Repayment Deadline, the Company is not intending to obtain shareholder approval for the Private Placement and is relying on the financial hardship exemption from the minority approval requirements under MI 61-101 and TSXV Policy 5.9 (the "**Financial Hardship Exemption**"). The earliest date by which the Company could hold a special meeting to approve the Private Placement is April 25, 2013, more than one month after the JV Repayment Date.

The Rights Plan

23. In June 2011, the shareholders of CGX ratified the Rights Plan, the purpose of which was to ensure that all shareholders of CGX were treated fairly in connection with any take-over bid or other acquisition of control in respect of the Company. The terms of the Rights Plan are set out in the shareholder rights plan agreement dated May 24, 2011 between the Company and Equity Financial Trust Company, as amended by the Rights Plan Amendment (together, the "**Rights Plan Agreement**"). A copy of the Rights Plan Agreement is attached as Exhibit "E".

24. Completion of the Private Placement, which is necessary to alleviate the financial hardship of the Company, will trigger the dilutive effects of the Rights Plan.

25. Under the terms of the Rights Plan Agreement, the Board does not have the ability to redeem, waive or amend the Rights Plan without obtaining shareholder approval. As noted above, relying on the Financial Hardship Exemption, the Company did not intend to hold a shareholder meeting so as to ensure that it is in a position to close the Private Placement as expeditiously as possible and in any event in advance of the JV Repayment Deadline.

26. The Company is therefore asking the Commission to grant the relief set out above. In so doing, the Company is relying on the fact that:

- (a) it proceeded with the Private Placement on the basis of the Financial Hardship Exemption;
- (b) the Rights Plan was not implemented with a view to interfering with a transaction the purpose of which is to ensure the very subsistence of the Company; and
- (c) the Company is seeking to close the Private Placement as soon as possible, and in any event before the JV Repayment Deadline, rather than running the risk that its creditors take enforcement action against the Company before it is able to hold a special meeting to repeal the Rights Plan.

27. As there can be no assurance that the Company will obtain the relief being sought hereunder, the Company is also scheduling a special meeting of shareholders to be held on or about April 25, 2013 to seek shareholder approval to redeem the Rights Plan and approve the Private Placement. However, the Company submits that it relied on the Financial Hardship Exemption because of the substantial risk associated with the additional time required to hold a special meeting.

II. CGX'S SUBMISSIONS

Financial Hardship Exemption Under Multilateral Instrument 61-101 and the TSXV Rules

28. As previously noted, the private placement transaction with Pacific Rubiales is a related party transaction pursuant to MI 61-101 that is subject to the minority approval requirements of MI 61-101. However, as noted above, the Company has relied on the Financial Hardship Exemption from the minority approval requirement found in section 5.7(e) of MI 61-101. The Company is exempt from the formal valuation requirements of MI 61-101 because, among other things, it is not listed on a stock exchange specified in section 5.5(b) of MI 61-101.

29. The TSXV has conditionally approved the Private Placement proceeding under the Financial Hardship Exemption subject to standard conditions.

30. The financial hardship provisions in MI 61-101 and comparable stock exchange rules acknowledge the severe constraints that an issuer in financial hardship faces and the impracticalities of requiring such issuers to comply with certain requirements that could impair the very survival of these issuers. In particular, the Financial Hardship Exemption allows issuers in financial hardship to proceed with certain transactions without shareholder approval where, absent such exemption, a majority of the minority shareholder approval would be required.

31. The Company submits that these very same considerations that apply to the Financial Hardship Exemption under MI 61-101 and stock exchange rules apply equally to the decision at hand, namely allowing an issuer to terminate its rights plan without shareholder approval in order to allow a transaction to proceed where the very purpose of such transaction is to address a financial hardship.

32. In this particular case, the Private Placement is the last resort for CGX to address its financial hardship. If the Private Placement is unduly delayed, the risk that CGX may be subject to creditor enforcement action which could undermine the Company's ability to continue as a going concern increases significantly.

33. Requiring a shareholder meeting to terminate the Rights Plan would undermine the policy objectives for the Financial Hardship Exemption available under MI 61-101 and the TSXV Policy.

34. Moreover, following completion of the private placement, the Rights Plan would no longer serve any purpose given that Pacific Rubiales will hold approximately 60% of the Company's outstanding Common Shares on an undiluted basis. It follows that the holding of a shareholders' meeting to consider the termination of the Rights Plan is really tantamount to a shareholders meeting to approve the very transaction that is exempt from a meeting under the Financial Hardship Exemption in MI 61-101 and the stock exchange rules.

Urgency and Absence of Other Alternatives

35. Pacific Rubiales has informed the Company that it is not prepared to fund the Private Placement unless the Rights Plan has been terminated or otherwise rendered ineffective to the satisfaction of Pacific Rubiales' counsel.

36. Under the terms of the Rights Plan, the Board does not have the ability to redeem, waive or amend the Rights Plan in the current circumstances without obtaining prior shareholder approval.

37. The Company does not believe that the Rights Plan should apply to a consensual transaction of this nature, and certainly not to a transaction that is necessary to ensure the survival of the Company.

38. If the Company is not successful in obtaining the relief sought pursuant to this Application, it will be required to hold a shareholders' meeting to vote on the termination of the Rights Plan and will not be in a position to close the Private Placement before the JV Repayment Deadline of March 22, 2013. As noted above, the earliest date by which a special meeting of shareholders can be held is April 25, 2013.

39. As a widely held public company with a large number of shareholders, it is impractical for the Company to seek the written approval of its shareholders in lieu of a meeting in accordance with Section 104 of the *Business Corporations Act* (Ontario).

III. CONCLUSION

40. The Company has exhausted every available option to address its serious financial issues. After months of evaluating alternatives, the only option available to the Company is the Private Placement. In the absence of this transaction, the Company risks being forced to cease operations.

41. It is a pre-condition to the Private Placement that the Rights Plan be terminated or otherwise rendered ineffective.

42. Requiring the Company to seek shareholder approval to terminate the Rights Plan risks the very subsistence of the Company and would, in our submission, be contrary to the public interest and the interest of the Company's shareholders.

43. Accordingly, the Commission should exercise its public interest jurisdiction under Section 127 of the Act to cease trade the Rights Plan effective immediately, giving the Company the opportunity to close the Private Placement in advance of the March 22 deadline.

44. Given the urgency of this matter, we respectfully request that the Commission hold a hearing in writing to consider and determine this Application by no later than on March 21, 2013 and that the Commission grant an Order by no later than 10:00 am on March 22, 2013.

This timetable will afford the Commission an opportunity to obtain any required clarification, while providing the Company with the certainty that it will be in a position to close the Private Placement and pay the JV Partners before the expiry of the JV Repayment Deadline.

45. We submit that one week's public notice of the hearing referenced in paragraph 44 is sufficient to allow interested parties to make any objections to these submissions or otherwise file their own submissions.

46. Should you have any questions or comments regarding this Application, please contact the undersigned.

Yours very truly,



per: Melanie Shishler

cc: Naizam Kanji (Ontario Securities Commission, by e-mail and courier)
Richard Lachcik (Norton Rose, by e-mail)
Kerry Sully (CGX Energy Inc., by e-mail)

VERIFICATION STATEMENT

The undersigned hereby authorizes the making and filing of the attached application by Davies Ward Phillips & Vineberg LLP and confirms the truth of the facts contained therein.

DATED as of this 12th day of March, 2013.

CGX ENERGY INC.

By: 
Name: Kerry Sully
Title: President & Chief Executive Officer

EXHIBIT A
PRESS RELEASE OF MAY 28, 2012



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CGX Provides Update on Near Term Funding Requirements - Announces \$30 Million Investment by Pacific Rubiales

May 28, 2012

(TSX-V | OYL)

TORONTO, May 28, 2012 /CNW/ - CGX Energy Inc. (TSX-V - OYL) ("CGX" or the "Company") announced on May 7, 2012 cost increases on its Eagle-1 well and the need to raise approximately \$20 million in the near term. The initial cost estimate for the Eagle-1 well was \$55 million increasing to \$71 million on May 7. But now as final costs accumulate, the ultimate cost is estimated to be approximately 10% higher than estimated on May 7. To meet its near term funding requirements, the Company is pleased to announce that it has entered into a definitive subscription agreement (the "Subscription Agreement") with Pacific Rubiales Energy Corp. ("Pacific Rubiales") dated May 27, 2012 pursuant to which Pacific Rubiales has subscribed for 85,714,285 units of CGX (the "Units") by way of private placement at a price per Unit of \$0.35 for an aggregate purchase price of \$30 million. Each Unit will consist of one common share and one-half of one common share purchase warrant of the Company (each whole warrant, a "Warrant"). Each Warrant will be exercisable for one CGX common share at an exercise price of \$0.60 per common share for a period of 18 months following the date of issuance of the Units. All common shares that comprise the Units and any common shares issued on exercise of the Warrants will be subject to a four month hold period from the date of issuance of the Units. The proceeds from the private placement will be used to fund expenditures related to the Company's oil and gas exploration activities in the Guyana-Suriname Basin and for general corporate purposes. The private placement is subject to approval of the Company's shareholders (as described below) and acceptance by the TSX Venture Exchange (the "Exchange"). The Units are expected to be issued within a week following the required Exchange and shareholder approval.

Pacific Rubiales currently owns approximately 18% of the Company's issued and outstanding common shares and is an insider of the Company. As a result, the private placement is considered a Related Party Transaction (as that term is defined in the policies of the Exchange and applicable securities laws). The private placement will result in Pacific Rubiales becoming a new Control Person (as that term is defined in the policies of the Exchange) holding approximately 35% of the Company's issued and outstanding common shares on closing of the private placement (approximately 41% if all of the Warrants are exercised). Accordingly, the private placement is subject to approval by the Company's shareholders as well as acceptance by the Exchange. Shareholder approval will be sought at the Annual and Special Meeting of Shareholders of the Company to be held on June 28, 2012 (or at any adjournment or postponement thereof) (the "Meeting") by ordinary resolution of shareholders, provided that the votes attached to the Company's common shares held by Pacific Rubiales and its associates and affiliates will be excluded from the calculation of such approval. Certain of the directors of the Company have entered into voting agreements with Pacific Rubiales pursuant to which they will vote their CGX shares in favour of the private placement at the Meeting. The closing of the private placement is expected to occur five business days following the date that the Company obtains all necessary shareholder and Exchange approvals.

In connection with the entering into of the Subscription Agreement and in order to meet the Company's immediate financing needs, Pacific Rubiales has agreed to advance to the Company \$30 million on May 29, 2012 (the "Loan"). The Loan will be evidenced by a promissory note and secured as described below. If the required Exchange and shareholder approvals for the private placement are obtained, on closing of the private placement, the promissory note will be cancelled by Pacific Rubiales in full satisfaction of the aggregate purchase price of the Units. If the approvals have not been obtained on or before July 31, 2012, the promissory note will become payable upon 30 business days notice by Pacific Rubiales to the Company. Prior to July 31, 2012, no interest is payable on the promissory note. However, if the Units are not issued by July 31, 2012, interest will become payable on the principal amount of the promissory note at a rate of 13.5%, compounded quarterly, until the promissory note is repaid in full. In such a scenario, the Company expects to repay the amounts owing under the promissory note through the issuance of additional equity or the sale of a farm-in interest in one or more of its petroleum agreements.

As security for the obligations of the Company under the promissory note, the Company has agreed to enter into a pledge agreement with Pacific Rubiales pursuant to which it will pledge 49% of the common shares of CGX Resources Inc. ("CGX Resources"), a wholly-owned subsidiary of the Company, to Pacific Rubiales. If shareholder approval for the private placement is not obtained at the Meeting, the Company will pledge the remaining 51% of the common shares of CGX Resources to Pacific Rubiales to secure its obligations under the Loan. The security interest(s) will

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Trading Info

LAST PRICE	CHANGE	OPEN PRICE	VOLUME	PREV. CLOSE	DELAY
0.11	-0.01	0.12	401,688	0.12	15 mins

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CGX at a Glance



terminate on the first to occur of the closing of the private placement and the date that the promissory note has been repaid.

If the Company's shareholders do not approve the private placement at the Meeting, the Company has also agreed that all standstill provisions currently restricting Pacific Rubiales will be deemed to be automatically terminated.

Under the terms of the Subscription Agreement, Dr. Marino Ostos Rosales will be appointed to the board of directors of the Company. In addition, the Company has agreed to include Dr. Ostos and Mr. José Francisco Arata on management's slate of nominees for director included in the management information circular to be prepared in connection with the Meeting and to appoint a third individual nominated by Pacific Rubiales and eligible under the *Business Corporations Act* (Ontario) to serve on the Company's board of directors on or prior to December 31, 2012. Dr. Ostos is Senior Vice President, New Areas for Pacific Rubiales. He has over 30 years of experience in E&P operations and management and was one of the founders of Pacific Stratus Ventures, later known as Pacific Stratus Energy where he served as President and Chief Operating Officer. Dr. Ostos holds a Masters and Ph.D. in Geological Sciences from Rice University, Houston, Texas as well as a Bachelor in Geosciences and a *Geological Engineering Degree*.

Subject to obtaining any required approvals of the Exchange, the Company has agreed to pay an advisory fee of 4% of the gross proceeds of the private placement to GMP Securities L.P.

In connection with the private placement and the Loan, the Company has granted Pacific Rubiales the right until the earlier to occur of: (a) the date on which Pacific Rubiales owns less than 15% of the outstanding common shares of the Company, and (b) the date that is two years following the closing date of the private placement, to participate in certain subsequent offerings or private placements by the Company in order for Pacific Rubiales to maintain the lesser of: (i) its percentage ownership interest in the common shares of the Company held immediately prior to such offering or placement, and (ii) 35.06% of the issued and outstanding common shares of the Company.

The Company and Pacific Rubiales have also entered into an earn-in and technical cooperation agreement dated May 27, 2012 pursuant to which, among other things: (i) Pacific Rubiales will provide technical assistance to the Company in respect of its operations, and (ii) Pacific Rubiales will have the right to participate in the Company's next commitment well on each of the Corentyne Petroleum Prospecting License ("PPL") and the Annex PPL by funding 50% of all costs related to such commitment wells (and in the case of the Annex PPL, by also funding 50% of the seismic program) in exchange for a 33% interest in the applicable petroleum license.

Suresh Narine, Chairman, commented, "We are very pleased with the support we have received from Pacific Rubiales, a major shareholder of CGX, and we are looking forward to working with Dr. Ostos and Mr. Arata, both highly experienced E&P professionals. This investment underscores Pacific Rubiales' confidence in the Company's offshore acreage and the exploration program being undertaken by CGX."

Pacific Rubiales, is a Canadian-based company and producer of natural gas and heavy crude oil, owns 100 percent of Meta Petroleum Corp., a Colombian oil operator which operates the Rubiales and Piriri oil fields in the Llanos Basin in association with Ecopetrol, S.A., the Colombian national oil company. Pacific Rubiales is focused on identifying opportunities primarily within the eastern Llanos Basin of Colombia as well as in other areas in Colombia and northern Peru. Pacific Rubiales has working interests in 45 blocks in Colombia, Peru and Guatemala. Pacific Rubiales' common shares trade on the Toronto Stock Exchange and La Bolsa de Valores de Colombia under the ticker symbols PRE and PREC, respectively. Additional information on Pacific Rubiales may also be examined and/or obtained through the internet by accessing the website of Pacific Rubiales at www.pacificrubiales.com.

CGX Energy is a Canadian-based oil and gas exploration company focused on the exploration of oil in the Guyana-Suriname Basin, an area ranked second in the world for oil and gas prospectivity by the United States Geological Service. CGX is managed by a team of experienced oil and gas and finance professionals from Guyana, Canada, the United States and the United Kingdom.

The Units when issued will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or applicable exemption from the registration requirements.

NEITHER THE TSX VENTURE EXCHANGE NOR ITS REGULATION SERVICES PROVIDER (AS THAT TERM IS DEFINED IN THE POLICIES OF THE TSX VENTURE EXCHANGE) ACCEPTS RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

Forward-Looking Statements:

This press release contains forward-looking statements. More particularly, this press release contains statements that include, but are not limited to, the timing of the advance and related security, the closing of the private placement, the anticipated use of proceeds and the receipt of the required shareholder and stock exchange approvals. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "would", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur.

The forward-looking statements are based on certain key expectations and assumptions made by CGX. Although CGX believes that the expectations and

assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because CGX can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. In addition to other risks that may affect the forward-looking statements in this press release and those set out in CGX's management discussion and analysis of the financial condition and results of operations for the year ended December 31, 2011, the closing of the private placement could be delayed if CGX is not able to obtain the necessary shareholder and stock exchange approvals on the timelines it has planned and the private placement will not be completed at all if these approvals are not obtained or some other condition to the closing is not satisfied. Accordingly, there is a risk that the private placement will not be completed within the anticipated time or at all. The intended use of the net proceeds of the private placement by CGX may change if the board of directors of CGX determines that it would be in the best interests of CGX to deploy the proceeds for some other purpose.

The forward-looking statements contained in this press release are made as of the date hereof and CGX undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Kerry Sully, (604) 733-9647 or ksully@cgxenergy.com
Charlotte May, Communications Manager, (416) 364-3353 or cmay@cgxenergy.com

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EXHIBIT B
PRESS RELEASE OF FEBRUARY 27, 2013 AND
RELATED MATERIAL CHANGE REPORT

FORM 51-102F3

MATERIAL CHANGE REPORT

ITEM 1: NAME AND ADDRESS OF COMPANY

CGX Energy Inc. (the "Corporation")
130 Adelaide Street West, Suite 1010
Toronto, Ontario M5H 3P5

ITEM 2: DATE OF MATERIAL CHANGE

February 27, 2013

ITEM 3: NEWS RELEASE

A copy of the news release was disseminated through CNW Group on February 27, 2013.

ITEM 4: SUMMARY OF MATERIAL CHANGE

On February 27, 2013, the Corporation announced that it had entered into a binding Term Sheet dated February 27, 2013 (the "Term Sheet") with Pacific Rubiales Energy Corp. ("Pacific Rubiales") pursuant to which Pacific Rubiales has agreed to purchase a minimum of 250,000,000 units of the Corporation (the "Units") by way of private placement at a price per Unit of \$0.14 for a minimum aggregate purchase price of \$35 million (the "Private Placement"), subject to approval of the TSX Venture Exchange (the "Exchange"). Each Unit is comprised of one common share of the Corporation (a "Common Share") and one common share purchase warrant (a "Warrant"). Each Warrant will be exercisable for one Common Share at an exercise price of \$0.20 per Common Share for a period of five years following the date of issuance of the Units. The closing price of the Common Shares on February 26, 2013, the last trading day prior to execution of the Term Sheet, was \$0.145. The material terms of the Private Placement and related transactions are described below.

ITEM 5: FULL DESCRIPTION OF MATERIAL CHANGE

On February 27, 2013, the Corporation announced that it had entered into the Term Sheet with Pacific Rubiales pursuant to which Pacific Rubiales will subscribe for a minimum of 250,000,000 Units by way of private placement at a price per Unit of \$0.14 for a minimum aggregate purchase price of \$35 million (the "Minimum Offering") and a maximum of \$40 million, subject to receipt of Exchange approval. Each Unit is comprised of one Common Share and one Warrant. Each Warrant will be exercisable for one Common Share at an exercise price of \$0.20 per Common Share for a period of five years following the date of issuance of the Units. It is a condition of closing of the Private Placement that the Corporation negotiate certain of its agreements with the officers, directors, employees and consultants such that the aggregate obligations payable by the Corporation or any of its subsidiaries under such agreements on a change of control of the Corporation do not exceed \$4 million. The closing price of the Common Shares on February 26, 2013, the last trading day prior to execution of the Term Sheet, was \$0.145.

Pacific Rubiales currently owns 144,434,285 Common Shares, representing approximately 35% of the Corporation's issued and outstanding Common Shares. Accordingly, Pacific Rubiales is an insider of the Corporation. As a result, the Private Placement is considered a related party transaction for purposes of *Multilateral Instrument 61-101 – Protection of Minority Security*

Holders in Special Transactions ("MI 61-101") and Exchange Policy 5.9 – *Protection of Minority Security Holders in Special Transactions* which incorporates the provisions of MI 61-101. MI 61-101 provides that, unless exempt therefrom, an issuer proposing to issue securities to a related party is required to obtain a formal valuation in respect of the related party transaction. The Corporation is exempt from the formal valuation requirements of MI 61-101 because, among other reasons, it is not listed on a stock exchange specified in section 5.5(b) of MI 61-101. MI 61-101 also provides that, unless exempt therefrom, an issuer shall not carry out a related party transaction unless the issuer has obtained minority approval for the transaction. The Corporation is relying on the financial hardship exemption from the minority approval requirement of MI 61-101 contained in section 5.7(e) of MI 61-101.

A special committee (the "Special Committee") of four "independent directors" of the Corporation, as defined in MI 61-101, was constituted to consider the proposed private placement and Pacific Rubiales investment. The Special Committee (other than John Cullen and Dennis Pieters who each refrained from voting on the transaction after being designated as a continuing director by Pacific Rubiales and thereby having a personal interest in the transaction) has determined unanimously that the Corporation is in serious financial difficulty, the private placement to Pacific Rubiales is designed to improve the financial position of the Corporation, and the terms of the private placement are reasonable in the circumstances of the Corporation. Following these determinations and a recommendation to the Board of Directors, the Board of Directors of the Corporation has made the same determination. Accordingly, the Corporation has satisfied the elements of the financial hardship exemption.

If the Private Placement is completed, assuming Pacific Rubiales subscribes for all of the Units pursuant to the Minimum Offering and that no other Units are sold pursuant to the private placement, Pacific Rubiales will acquire an additional 250,000,000 common shares resulting in Pacific Rubiales holding approximately 60% of the Corporation's issued and outstanding Common Shares (and approximately 70% if all of the 250,000,000 Warrants are exercised).

The net proceeds from the private placement will enable the Corporation to discharge its immediate obligations under the Georgetown PA Joint Operating Agreement and to continue to fund its other near term obligations. The Corporation expects that further financings will be necessary to ensure that it can meet its ongoing obligations. The ability of the Corporation to continue as a going concern is dependent on securing the additional required financing, either through issuing additional equity, debt instruments and/or payments associated with a joint venture farm-out. There can be no assurances that the Corporation will successfully raise additional funds.

The Term Sheet also provides that the Corporation's Board of Directors will be reconstituted such that five of the Corporation's eight directors will be nominees of Pacific Rubiales.

Due to the Corporation's immediate need for financing in order to carry on its business and achieve its business objectives, the parties contemplate closing the Private Placement as soon as possible following receipt of Exchange approval, however not later than March 11, 2013 unless otherwise agreed to by Pacific Rubiales, GMP Securities L.P. ("GMP") and the Corporation. As such, in the Corporation's view, it was necessary for the Corporation to file this material change report with respect to the Private Placement less than 21 days before the expected closing date of the Private Placement.

Subject to the receipt of any required Exchange approval, the Corporation will pay an advisory fee to GMP of (i) 4% of the gross proceeds of the private placement in respect of the subscription for Units by Pacific Rubiales, and (ii) 6% of the gross proceeds derived from the sale of Units pursuant to the private placement to any investor(s) other than Pacific Rubiales. The Exchange has advised the Corporation that it has no objection to the payment of the fees at this time.

ITEM 6: RELIANCE ON SUBSECTION 7.1(2) OF NATIONAL INSTRUMENT 51-102

Not applicable.

ITEM 7: OMITTED INFORMATION

Not applicable.

ITEM 8: EXECUTIVE OFFICER

For further information, please contact:

Charlotte May
Corporate Secretary
(416) 364-3353

ITEM 9: DATE OF REPORT

March 8, 2013

CGX ENERGY INC.

By: (signed) Charlotte May

Name: Charlotte May

Title: Corporate Secretary

SCHEDULE A

[See attached.]



NEWS RELEASE
CGX ENERGY INC.
(TSX-V | OYL)
February 27, 2013

CGX Provides Update on Financial Position and Announces Private Placement Financing

NOT FOR DISSEMINATION IN THE UNITED STATES OR THROUGH U.S. NEWSWIRE SERVICES

Toronto, Ontario - CGX Energy Inc. (TSX-V - OYL) ("CGX" or the "Company") announces that it has entered into an agreement with GMP Securities L.P. ("GMP") dated February 27, 2013 in connection with a proposed private placement of a minimum of Cdn\$35,000,000 (the "Minimum Offering") and a maximum of Cdn\$40,000,000 of units of CGX (the "Units") at a price of Cdn\$0.14 per Unit. Each Unit will consist of one common share and one common share purchase warrant of the Company (a "Warrant"), each Warrant being exercisable to acquire one CGX common share at an exercise price of Cdn\$0.20 per share for a period of five years following the date of issuance of the Units. All common shares that comprise the Units and any common shares issued on exercise of the Warrants will be subject to a four month hold period from the date of issuance of the Units. The private placement is subject to approval of the TSX Venture Exchange ("TSXV") and other customary closing conditions.

The Company also announces that it has entered into a binding term sheet with Pacific Rubiales Energy Corp. ("Pacific Rubiales"), a current shareholder of the Company, dated February 27, 2013 (the "Pacific Rubiales Agreement") pursuant to which Pacific Rubiales has agreed to purchase all of the Units to be issued in the Minimum Offering that are not subscribed for by other investors. Pursuant to the Pacific Rubiales Agreement, it is a condition of closing of the placement of the Minimum Offering to Pacific Rubiales that the Company renegotiate certain of its agreements with the officers, directors, employees and consultants of the Company such that the aggregate obligations payable by the Company or any of its subsidiaries under such agreements on a change of control of the Company do not exceed Cdn\$4,000,000.

The net proceeds from the private placement, after payment of an advisory fee to GMP, the expenses of GMP relating to its engagement by CGX and other transaction expenses, will be used by CGX as follows:

- as to approximately US\$15,000,000, to meet the Company's current default payment obligations owing to Repsol Exploración S.A. ("Repsol"), Tullow Guyana B.V. and YPF S.A. (collectively the "Partners") pursuant to the Joint Operating Agreement among the Partners to the Georgetown Petroleum Agreement ("Georgetown PA"),
- as to a maximum of Cdn\$4,000,000, for change of control payments to officers, directors, employees and consultants of the Company who will no longer be with the Company following closing,
- in satisfaction of a transaction fee payable to the Company's financial advisor, and
- as to the balance of the net proceeds of the private placement, to fund expenditures related to the Company's oil and gas exploration activities and for general corporate purposes.

Subject to the approval of the TSXV, the Company has agreed to pay GMP an advisory fee of (i) 4% of the gross proceeds of the private placement in respect of the subscription for Units by Pacific Rubiales, and (ii) 6% of the gross proceeds derived from the sale of Units pursuant to the private placement to any investor(s) other than Pacific Rubiales. The TSXV has advised the Company that it has no objection to the payment of the fee at this time.

1010, 130 Adelaide Street West
Toronto, ON, Canada M5H 3P5
☎ 416.364.5569 ☎ 416.364.5400

Trading Symbol	OYL
Shares Outstanding	411,948,218
Fully Diluted	472,530,090

Pacific Rubiales currently owns 144,434,285 common shares representing 35.06% of the Company's issued and outstanding common shares and is an insider of the Company. Assuming Pacific Rubiales subscribes for all of the Units pursuant to the Minimum Offering and that no other Units are sold pursuant to the private placement, Pacific Rubiales will hold 60% of the Company's issued and outstanding common shares (and approximately 70% assuming the exercise of all of the Warrants issued to Pacific Rubiales). Pacific Rubiales also holds warrants which are exercisable for an additional 42,857,142 common shares of the Company at an exercise price of Cdn\$0.60 per common share until January 9, 2014. As a result, the private placement is a related party transaction pursuant to Policy 5.9 of the TSXV and Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("MI 61-101") and triggers the requirement for a valuation and minority approval unless exemptions therefrom are available. As CGX is not listed on or quoted on any prescribed exchange listed in MI 61-101, the transaction is exempt from the formal valuation requirement contained in MI 61-101 pursuant to section 5.5(b) of MI 61-101. CGX is relying on the financial hardship exemption from the minority approval requirement of MI 61-101 contained in section 5.7(e) of MI 61-101 as described in more detail below.

In its Management's Discussion and Analysis for the nine months ended September 30, 2012, the Company disclosed that as of November 26, 2012, the Company had received a default notice in respect of its Participating Share of joint account expenses for the Georgetown PA in the amount of US\$11,500,000. On January 24, 2013, the Company was advised by Repsol as operator of the Georgetown PA that the total default amount had increased to US\$14,939,626. The Company has negotiated a stay of any enforcement proceedings until March 22, 2013. The Company reports that the current default amount is significantly in excess of its cash on hand and, accordingly, the Company currently has insufficient funds to satisfy this obligation and other near term obligations.

Pursuant to MI 61-101, minority approval is not required for a related party transaction in the event of financial hardship in specified circumstances. A special committee (the "Special Committee") of four "independent directors" of the Company, as defined in MI 61-101, was constituted to consider the proposed private placement and Pacific Rubiales investment. The Special Committee (other than John Cullen and Dennis Pieters who each refrained from voting on the transaction after being designated as a continuing director by Pacific Rubiales and thereby having a personal interest in the transaction) has determined unanimously that the Company is in serious financial difficulty, the private placement to Pacific Rubiales is designed to improve the financial position of the Company, and the terms of the private placement are reasonable in the circumstances of the Company. Following these determinations and a recommendation to the Board of Directors, the Board of CGX has made the same determination. Accordingly, CGX has satisfied the elements of the financial hardship exemption.

The net proceeds from the private placement will enable the Company to discharge its immediate obligations under the Georgetown PA Joint Operating Agreement and to continue to fund its other near term obligations. The Company expects that further financings will be necessary to ensure that it can meet its ongoing obligations. The ability of the Company to continue as a going concern is dependent on securing the additional required financing, either through issuing additional equity, debt instruments and/or payments associated with a joint venture farm-out. There can be no assurances that the Company will successfully raise additional funds.

Pursuant to the Pacific Rubiales Agreement, upon closing of the private placement, the board of directors of CGX will be reconstituted as follows to ensure that a majority of the directors are nominees of Pacific Rubiales:

- Ronald Pantin
- José Francisco Arata
- Marino Ostos
- Dennis Mills
- Jairo Lugo
- Suresh Narine
- John Cullen
- Dennis Pieters

Ronald Pantin is the Chief Executive Officer and Executive Director of Pacific Rubiales. Mr. Pantin has worked in the Venezuelan oil industry for 24 years prior to founding Pacific Rubiales. Mr. Pantin has held a number of senior positions within Petroleos de Venezuela, S.A. ("PDVSA"), most recently being President of PDVSA Services. Immediately after PDVSA, Mr. Pantin was President of Enron Venezuela. He began his professional career with Maraven, an affiliate of PDVSA, where he held a variety of positions including Exploration and Production Planning Manager, Petroleum Engineering Manager, Treasurer, Operations Manager in the

Production Division, and Corporate Planning Manager.

José Francisco Arata has been the President and a director of Pacific Rubiales since 2008. From August 21, 2006 to January 23, 2008, Mr. Arata was the Chief Executive Officer and a director of Pacific Stratus Energy Ltd. From July 1997 to February 2006, Mr. Arata was the Executive Vice President and a director of Bolivar Gold Corp. Mr. Arata has over 29 years of experience in mineral and oil exploration in a number of countries in Latin America. He began his professional career with Maraven, an affiliate of PDVSA, where he held a variety of positions within the Exploration and Production Department. After leaving PDVSA, Mr. Arata started a number of private ventures in the Venezuelan mining industry. Mr. Arata became a director of CGX on June 28, 2012.

Dr. Marino Ostos is Senior Vice President, New Areas for Pacific Rubiales. He has over 30 years of experience in Exploration and Production operations and management and was one of the founders of Pacific Stratus Ventures, later known as Pacific Stratus Energy Ltd. where he served as President and Chief Operating Officer. Dr. Ostos holds a Masters and Ph.D. in Geological Sciences from Rice University, Houston, Texas as well as a Bachelor in Geosciences and a Geological Engineering Degree. Dr. Ostos became a director of CGX on May 30, 2012.

Dennis Mills is a Canadian businessman and former politician. Mr. Mills was Vice Chairman and Chief Executive Officer of MI Developments Inc. from 2004 to 2011, and a Vice-President at Magna International from 1984 to 1987. Mr. Mills served as a Member of Parliament in Canada's federal parliament from 1988 to 2004. While a Member of Parliament, Mr. Mills was Parliamentary Secretary to the Minister of Industry from 1993 to 1996, the Parliamentary Secretary to the Minister of Consumer and Corporate Affairs from 1993 to 1995 and the Chair of the Committee studying the Industry of Sport in Canada. Mr. Mills was the Senior Policy Advisor to the Cabinet Committee on Communications (1980-1984), Advisor to the Minister of Energy (1980-1981), Senior Advisor to the Minister of Multiculturalism (1980), and Senior Communications Advisor to the Prime Minister of Canada, The Right Honourable Pierre Elliott Trudeau (1980-1984).

Dr. Jairo Lugo is Senior Vice President, Exploration of Pacific Rubiales. From 2004 to January, 2008, he was the Executive Vice President, Exploration of Pacific Stratus Energy. Dr. Lugo was Director of Exploration of Arauca Energy Group from April, 2003 to October, 2004, Exploration coordinator for PDVSA from 2000-2002, G&G Manager for PDVSA-CVP from 1998-2000, and also held various exploration geologist positions at PDVSA from 1990-1998.

Due to the Company's immediate need for financing in order to carry on its business and achieve its business objectives, the parties contemplate closing the private placement as soon as possible, however not later than March 11, 2013 unless otherwise agreed to by Pacific Rubiales, GMP and CGX. As such, in the Company's view, it will be necessary for the Company to file the material change report with respect to the proposed transaction less than 21 days before the expected closing date of the private placement.

CGX has been advised by Pacific Rubiales that Pacific Rubiales intends for CGX to remain a public company after completion of the financing.

The Units when issued will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or applicable exemption from the registration requirements.

Dr. Suresh Narine, Executive Director of CGX, stated, "Over the last 15 years, CGX has been the most active explorer for hydrocarbons in Guyana. This financing led by Pacific Rubiales provides a new base to allow a high level of exploration to continue in our newly re-issued Corentyne, Demerara and Berbice Licences, with continued participation by the other CGX shareholders. Guyanese leadership at the Board level and in management will continue, unique amongst companies currently actively exploring in Guyana. Pacific Rubiales will add broad global experience, with a very successful track record in exploration."

About CGX Energy

CGX is a Canadian-based oil and gas exploration company focused on the exploration of oil in the Guyana-Suriname Basin, an area in which the United States Geological Survey estimated a Pmean oil resource potential of 13.6 billion barrels in their Assessment of Undiscovered Conventional Oil and Gas Resources of South America and the Caribbean, 2012. CGX is managed by a team of experienced oil and gas and finance professionals from Guyana, Canada, the United States and the United Kingdom.

About Pacific Rubiales

Pacific Rubiales is a Canadian company and producer of natural gas and crude oil, owns 100% of MetaPetroleum Corp., which operates the Rubiales, Piriri and Quifa heavy oil fields in the Llanos Basin, and 100% of Pacific Stratus Energy Colombia Corp., which operates the La Creciente natural gas field in the northwestern area of Colombia. Pacific Rubiales has also acquired 100% of PetroMagdalena Energy Corp., which owns light oil assets in Colombia, and 100% of C&C Energia Ltd., which owns light oil assets in the Llanos Basin. In addition, the Company has a diversified portfolio of assets beyond Colombia, which includes producing and exploration assets in Peru, Guatemala, Brazil, Guyana and Papua New Guinea. Pacific Rubiales common shares trade on the Toronto Stock Exchange and La Bolsa de Valores de Colombia and as Brazilian Depositary Receipts on Brazil's Bolsa de Valores Mercadorias e Futuros under the ticker symbols PRE, PREC, and PREB, respectively.

For further information please contact:

Kerry Sully, President and CEO (604) 733-9647 or ksully@cgxenergy.com
Charlotte May, Communications Manager (416) 364-3353 or cmay@cgxenergy.com

NEITHER THE TSX VENTURE EXCHANGE NOR ITS REGULATION SERVICES PROVIDER (AS THAT TERM IS DEFINED IN THE POLICIES OF THE TSX VENTURE EXCHANGE) ACCEPTS RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

Forward-Looking Statements:

This press release contains forward-looking statements. More particularly, this press release contains statements that include, but are not limited to, the timing of the private placement, the anticipated use of proceeds, the proposed changes to the Board of Directors and management of CGX and the receipt of required stock exchange approvals. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "would", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur. The forward-looking statements are based on certain key expectations and assumptions made by CGX. Although CGX believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because CGX can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. In addition to other risks that may affect the forward-looking statements in this press release and those set out in CGX's management discussion and analysis of the financial condition and results of operations for the three and nine month periods ended September 30, 2012, the closing of the private placement could be delayed if CGX is not able to obtain the necessary stock exchange approval on the timelines it has planned and the private placement will not be completed at all if this approval are not obtained or some other condition to the closing is not satisfied. Accordingly, there is a risk that the private placement will not be completed within the anticipated time or at all. The forward-looking statements contained in this press release are made as of the date hereof and CGX undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

EXHIBIT C
SOURCES AND USES OF CAPITAL

CGX Energy Inc. - Sources & Uses Schedule - Next 6 Months
As at March 8, 2013

	03/13	04/13	05/13	06/13	07/13	08/13	09/13
Sources / Inflow:							
Current cash balance ⁽¹⁾ :	2,053,723	10,579,906	8,822,006	7,330,026	5,527,843	3,962,647	2,412,173
Uses / Outflow:							
Monthly General & Administrative budget ⁽²⁾ :	(779,852)	(755,122)	(714,202)	(774,405)	(787,418)	(772,697)	(755,750)
Board of Director fees (including special committee for Q1 2013):	(250,000)	-	-	(250,000)	-	-	(250,000)
Berbice, Demerara & Corentyne Training fees (as per Petroleum Agreement):	-	(225,000)	-	-	-	-	-
Outstanding invoices to suppliers ⁽¹⁾ :	(1,271,965)	-	-	-	-	-	-
Repsol default payment:	(15,000,000)	-	-	-	-	-	-
Monthly Georgetown budget ⁽³⁾ :	-	(777,778)	(777,778)	(777,778)	(777,778)	(777,778)	(777,778)
Process & reinterpret Corentyne 3D ⁽⁴⁾ :	-	-	-	-	-	-	(333,333)
Berbice onshore exploration cost ^{(5) (6)} :	-	-	-	-	-	-	-
Shareholder meeting - printing, proxy solicitation and related cost:	(300,000)	-	-	-	-	-	-
Shareholder meeting - legal, transfer agent fees (equity) and related cost:	(400,000)	-	-	-	-	-	-
Total - Uses / Outflow:	(18,001,817)	(1,757,900)	(1,491,980)	(1,802,183)	(1,565,196)	(1,550,475)	(2,116,861)
Net deficit without financing:	(15,948,094)	-	-	-	-	-	-
Projected Financing							
2013 Financing - projected ⁽⁷⁾ :	34,728,000	-	-	-	-	-	-
Maximum payment for COC ⁽⁸⁾ :	(4,000,000)	-	-	-	-	-	-
Payment of fees to advisors ⁽⁸⁾ :	(4,200,000)	-	-	-	-	-	-
Net surplus with financing:	10,579,906	8,822,006	7,330,026	5,527,843	3,962,647	2,412,173	295,312

Notes:

⁽¹⁾ Balances as of 3/8/2013

⁽²⁾ This number will be reduced post-closing of financing transaction based on changes made by new control party

⁽³⁾ Assumes Net Wl of 32.5% (CGX to obtain an additional 12.5%); \$7mm net cost burden spread out over 9 months starting in Q2 (post-settlement of o/s payables); No farm-out

⁽⁴⁾ Assumes no farm-out - 100% cost burden for CGX; Project likely to begin no sooner than end of Q3

⁽⁵⁾ Assumes 62% Wl for CGX; \$620k net cost burden in October

⁽⁶⁾ No budgeted amounts for activities related to ON Energy or the wharf. 2013 ON Energy activities (i.e. financing, etc.), in the event that they occur, will be considered separately.

⁽⁷⁾ Net of GMP fees; Assuming total subscription will be \$36.2mm

⁽⁸⁾ These final numbers will be subject to decisions made by controlling party upon closing of transaction

EXHIBIT D
PRIVATE PLACEMENT TERM SHEET

This binding term sheet (the “Term Sheet”) sets out the terms and conditions upon which a private placement of Units (as defined below) is to be completed between CGX Energy Inc. and Pacific Rubiales Corp.

On execution of this Term Sheet, the parties hereto agree to be bound by the terms contained in this Term Sheet. Each of the parties hereto agrees to use commercially reasonable efforts in good faith to settle and enter into, on or before March 11, 2013, the terms of a definitive subscription agreement to formalize the terms of this Term Sheet as contemplated below.

CGX Energy
Private Placement of Units
Minimum of Cdn\$35,000,000
Maximum of Cdn\$40,000,000

Issuer:	CGX Energy Inc. (the “Corporation”).
Offering:	Treasury offering of a minimum of 250,000,000 units (the “Units”) of the Corporation (the “Minimum Offering”) and a maximum of up to 285,714,285 Units (the “Offering”).
Units:	Each Unit will consist of one common share of the Corporation (the “Common Shares”) and one common share purchase warrant (a “Warrant”). Each Warrant will entitle the holder thereof to purchase one additional common share of the Corporation (a “Warrant Share”) at an exercise price of Cdn\$0.20 per Warrant Share at any time prior to the date that is five years following the Closing Date (as hereinafter defined).
Issue Type:	Private placement by way of prospectus exemption under the <i>Securities Act</i> (Ontario).
Issue Price:	Cdn\$0.14 per Unit (the “Issue Price”).
Gross Proceeds:	Minimum of Cdn\$35,000,000 and a maximum of up to Cdn\$40,000,000.
Backstop Investor:	Subject to the conditions hereof, Pacific Rubiales Energy Corp. (“PRE”), a current shareholder of the Corporation, hereby agrees to subscribe for all Units to be issued in the Minimum Offering that are not subscribed for by other investors
Hold Period:	The Common Shares and the Warrant Shares, if issued, will be subject to a four month hold period commencing on the Closing Date (as hereinafter defined).
Use of Proceeds:	The proceeds from the Offering, after payment of the Commission (as hereinafter defined) and the Agent’s reasonable out-of-pocket costs and expenses (the “Net Proceeds”), will be used by the Corporation as follows: (i) as to approximately US\$15,000,000, to meet the Corporation’s current default payment obligations owing to Repsol Exploracion SA, Tullow

Guyana B.V. and YPF S.A. pursuant to the Georgetown Block, Guyana, joint operating agreement,

(ii) as to a maximum of Cdn\$4,000,000, for change of control payments to officers, directors, employees and consultants of the Corporation or its subsidiaries who are entitled to receive such payments as a result of, or in connection with, the transactions contemplated hereby; provided that no such payments shall be made until the Corporation has received such waivers or other documents as are necessary and in a form acceptable to PRE acting reasonably such that the aggregate change of control payments required to be made by the Corporation to officers, directors, employees and consultants of the Corporation or its subsidiaries upon a change of control of the Corporation are less than or equal to Cdn\$4,000,000,

(iii) as to the balance of the net proceeds of the Offering, to fund expenditures related to the Corporation's oil and gas exploration activities and for general corporate purposes.

Payment Direction: The Corporation will direct PRE to pay a portion of the Net Proceeds to satisfy the obligations of the Corporation referred to in (i) and (ii) of the above-stated Use of Proceeds.

Segregated Account: The balance of the Net Proceeds shall be deposited in escrow with GMP and held in a segregated account. All disbursements from the segregated account shall be used toward item (iii) of the above-stated Use of Proceeds and shall be subject to the prior approval of the board of directors of the Corporation.

Board Representation: The board of directors of the Corporation shall be revised upon closing of the Offering as follows to ensure that a majority of the directors are nominees of PRE.

Ronald Pantin*
Jose Francisco Arata*
Marino Ostos*
Jairo Lugo*
Dennis Mills*
Suresh Narine
John Cullen
Dennis Pieters

* PRE nominee.

The Corporation shall agree to recommend that shareholders vote in favour of any PRE nominees to be added to the board of directors of the Corporation.

Agent: GMP Securities L.P. (the "Agent" or "GMP").

- Compensation:** A cash fee equal to: (i) 4% of the gross proceeds derived from the sale of securities to PRE pursuant to the Offering, and (ii) 6% of the gross proceeds derived from the sale of securities pursuant to the Offering to any investor(s) other than PRE (the “Commission”).
- Approvals:** The issuance of the Units by the Corporation and the payment of the Commission are subject to the Corporation obtaining approval of the TSX Venture Exchange (the “Regulatory Approval”). The Corporation has been advised by the TSX Venture Exchange that it does not object to the payment of the Commission at this time.
- Shareholder Approval:** The Offering shall be completed in reliance on exemptions from the valuation and minority approval requirements of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.
- Conditions of Closing:** Closing of the Offering shall be conditional upon PRE receiving (i) a legal opinion from legal counsel to the Corporation in the form set out on Exhibit A, together with local counsel opinions that are substantially similar to those delivered to PRE in connection with its private placement subscription in 2012, (ii) evidence of all necessary regulatory approvals to complete the Offering, (ii) an opinion of legal counsel to the Corporation regarding title matters, in respect of the material oil and gas properties of the Corporation, and (iii) waivers of the directors, officers, employees and consultants referenced under clause (ii) of “Use of Proceeds” above, each in a form acceptable to PRE, acting reasonably.
- Subscription Agreement:** On or before the Closing Date, PRE and any other subscribers shall enter into definitive subscription agreements on terms acceptable to the parties thereto including the necessary provisions to reflect the terms hereof relating to the issuance of the Units; provided, however, that if the parties hereto are unable or unwilling to enter into a definitive subscription agreement by the Closing Date, then, subject to the terms and conditions hereof, the parties hereto shall be bound to complete the Minimum Offering in accordance with the terms hereof.
- The definitive subscription agreement will contain customary representations and warranties substantially similar to those contained in the subscription agreement between the Corporation and PRE dated May 27, 2012. GMP shall have the benefit of the representations and warranties provided by the Corporation to PRE pursuant to the definitive subscription agreement.
- Warrant Certificate:** The form of the certificate representing the Warrants shall be substantially the same as the warrant certificate representing PRE’s existing warrants issued by the Corporation, with such changes as the Corporation and PRE may agree, acting reasonably.
- Escrow Agreement:** On or before the Closing Date, GMP and the Corporation shall enter into an escrow agreement in respect of the Net Proceeds as contemplated under “Segregated Account” above.

- Closing Date:** The Minimum Offering shall close and the Units will be issued on or before the 5th business day following the date on which the Regulatory Approvals are obtained, and for this purpose conditional approval of the TSX Venture Exchange for issuance of the Units shall be sufficient if permitted by law, expected to be March 11, 2013, or such other date as the Corporation, PRE and GMP may agree.
- Enforceability:** This Term Sheet constitutes an enforceable agreement between the parties hereto in accordance with its terms, and the parties hereto shall proceed diligently, expeditiously and in good faith to fulfill their respective obligations by the relevant dates provided for herein.
- Governing Law:** This Term Sheet shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.
- Miscellaneous:** This Term Sheet and the rights or obligations of CGX and PRE hereunder are not transferable or assignable in whole or in part by any party hereto without the prior written consent of the other party. This Term Sheet constitutes the entire agreement of CGX and PRE relating to the matters set forth herein and supersedes any prior understandings or agreements. No amendment or waiver of any provision of this Term Sheet shall be binding on any party hereto unless consented to in writing by such party. Time shall be of the essence of this Term Sheet. If any provision of this Term Sheet is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, all other provisions of this Term Sheet shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party hereto.

[Signature page follows]

The parties hereto agree to be bound by the terms of this Term Sheet.

DATED this 27th day of February, 2013.

CGX ENERGY INC.



by:

Name: Suresh Narine
Title: Executive Chairman



by:

Name: Kerry Sully
Title: President & CEO

PACIFIC RUBIALES ENERGY CORP.

by:

Name: Peter Volk
Title: General Counsel

The parties hereto agree to be bound by the terms of this Term Sheet.

DATED this 27th day of February, 2013.

CGX ENERGY INC.

by: _____

Name:

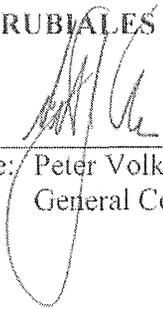
Title:

by: _____

Name:

Title:

PACIFIC RUBIALES ENERGY CORP.

by  _____

Name: Peter Volk

Title: General Counsel

EXHIBIT A

**OPINION OF ONTARIO COUNSEL
(TO BE DELIVERED ON CLOSING DATE)**

(ALL OPINIONS SUBJECT TO CUSTOMARY ASSUMPTIONS AND QUALIFICATIONS)

1. The Corporation is a corporation existing under the *Business Corporations Act* (Ontario).
2. The Corporation has the corporate power and capacity under the laws of the Province of Ontario to own, lease and operate its properties and assets and to carry on its business as such business is described in the Public Record.
3. The Corporation has all necessary corporate power and capacity to execute and deliver each of the Subscription Agreement and the Warrant Certificate and to perform its obligations thereunder.
4. The execution and delivery of each of the Subscription Agreement and the Warrant Certificate by the Corporation and the performance of its obligations thereunder have been duly authorized by all necessary corporate action on the part of the Corporation.
5. Each of the Subscription Agreement and the Warrant Certificate has been duly executed and delivered by the Corporation.
6. Each of the Subscription Agreement and the Warrant Certificate constitutes a legal, valid and binding obligation of the Corporation, enforceable against the Corporation by the Purchaser in accordance with its terms.
7. The execution and delivery of each of the Subscription Agreement and the Warrant Certificate by the Corporation and the performance of its obligations thereunder do not contravene or result in a breach of (i) the articles or by-laws of the Corporation, or (ii) the laws of the Province of Ontario and the federal laws of Canada applicable therein.
8. The Corporation is a reporting issuer under Ontario Securities Laws and is not included in the list of defaulting reporting issuers maintained by the Ontario Securities Commission.
9. The TSXV has conditionally accepted notice of the issuance of the Subscription Shares, the Warrants and the Warrant Shares and has conditionally approved the listing of the Subscription Shares and the Warrant Shares subject to the Corporation fulfilling the requirements of TSXV set forth in the letter from the TSXV dated ■.
10. All necessary corporate action has been taken by the Corporation to authorize the issuance of the Subscription Shares and the Subscription Shares have been validly issued as fully paid and non-assessable common shares of the Corporation.
11. The Warrants have been duly created and issued and the holder thereof is entitled to the benefits, subject to the terms, of the Warrant Certificate.
12. The Warrant Shares have been duly allotted and reserved for issuance and the Warrant Shares, when issued upon the exercise of the Warrants in accordance with the terms thereof, will be duly issued as fully paid and non-assessable common shares of the Corporation.

13. The issuance and sale of the Subscription Shares and the Warrants by the Corporation to the Purchaser in accordance with the Subscription Agreement is exempt from the prospectus requirements of Ontario Securities Laws and no documents are required to be filed, no proceedings are required to be taken and no approvals, permits, consents or authorizations of any securities regulatory authority are required to be obtained under Ontario Securities Laws to permit the distribution of the Subscription Shares and Warrants by the Corporation to the Purchasers; however, the Corporation will be required to file with the Ontario Securities Commission a report of exempt distribution on Form 45-106F1 as prescribed by National Instrument 45-106 – *Prospectus and Registration Exemptions*, together with the payment of applicable fees within 10 days of the distribution.

14. The issuance of the Warrant Shares upon the exercise of the Warrants upon the terms and subject to the conditions contained in the Warrants is exempt from the prospectus requirements of the Ontario Securities Laws and no documents are required to be filed, no proceedings are required to be taken and no approvals, permits, consents or authorizations of any securities regulatory authority are required to be obtained under Ontario Securities Laws to permit such issuance of Warrant Shares by the Corporation.

EXHIBIT E
RIGHTS PLAN AGREEMENT

SHAREHOLDER RIGHTS PLAN AGREEMENT

BETWEEN

CGX ENERGY INC.

AND

EQUITY FINANCIAL TRUST COMPANY

Made as of May 24, 2011

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SCHEDULE A

- Form of Rights Certificate
- Form of Election to Exercise
- Form of Assignment

SHAREHOLDER RIGHTS PLAN AGREEMENT

THIS AGREEMENT is made as of the 24th day of May, 2011

BETWEEN:

CGX ENERGY INC., a corporation existing under the laws of the Province of Ontario

(the "Corporation")

AND:

EQUITY FINANCIAL TRUST COMPANY, a trust company formed under the laws of Canada

(the "Rights Agent")

WHEREAS:

A. the Board of Directors (as hereinafter defined) has determined that it is advisable to adopt a shareholder rights plan (the "Rights Plan") to ensure, to the extent possible, that all shareholders of the Corporation are treated fairly in connection with any take-over bid in respect of the Corporation or other acquisition of control of the Corporation;

B. in order to implement the Rights Plan, the Board of Directors has

- (i) authorized and declared a distribution of one right (a "Right") effective at the Record Time (as hereinafter defined) in respect of each Common Share outstanding at the Record Time,
- (ii) authorized the issue of one Right in respect of each Common Share issued after the Record Time and prior to the earlier of the Separation Time (as hereinafter defined) and the Expiration Time (as hereinafter defined), and
- (iii) authorized the issue of Rights Certificates (as hereinafter defined) to holders of Rights pursuant to the terms and subject to the conditions set forth herein;

C. each Right entitles the holder thereof, after the Separation Time, to purchase securities of the Corporation pursuant to the terms and subject to the conditions set forth herein; and

D. the Corporation desires to appoint the Rights Agent to act on behalf of the Corporation, and the Rights Agent is willing to so act, in connection with the issue, transfer, exchange and replacement of Rights Certificates, the exercise of Rights and other matters referred to herein;

NOW THEREFORE, in consideration of the premises and respective agreements set forth herein, the parties hereto hereby agree as set forth below.

ARTICLE 1 INTERPRETATION

1.1 Certain Definitions

For the purposes of this Agreement, including the recitals hereto, the terms set forth below have the meanings indicated.

- (a) **"Acquiring Person"** means any Person who is the Beneficial Owner of 20% or more of the outstanding Voting Shares, but does not include:
- (i) the Corporation or any Subsidiary of the Corporation;
 - (ii) any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of one or any combination of:
 - (A) a Voting Share Reduction;
 - (B) a Permitted Bid Acquisition;
 - (C) an Exempt Acquisition;
 - (D) a Pro Rata Acquisition; and
 - (E) a Convertible Security Acquisition,

provided, however, that if a Person shall become the Beneficial Owner of 20% or more of the outstanding Voting Shares by reason of one or any combination of a Voting Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition, a Pro Rata Acquisition and a Convertible Security Acquisition, and thereafter becomes the Beneficial Owner of more than 1.0% of the number of Voting Shares then outstanding in addition to those Voting Shares such Person already holds (otherwise than pursuant to a Voting Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition, a Pro Rata Acquisition or a Convertible Security Acquisition or any combination thereof), then, as of the date that such Person becomes a Beneficial Owner of such additional Voting Shares, such Person shall become an "Acquiring Person";

- (iii) for the period of 10 days after the Disqualification Date (as hereinafter defined), any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of such Person becoming disqualified from relying on Section 1.1(d)(ii)(B) where such disqualification results solely because such Person is making or has announced a current intention to make a Take-over Bid, either alone or by acting jointly or in concert with any other Person, unless such disqualified Person during such 10-day period acquires more than 1.0% of the number of Voting Shares then outstanding in addition to those Voting Shares such disqualified Person already holds. For the purposes of this definition, "Disqualification Date" means the first date of public announcement that such

Person is making or participating in, or proposes to make or participate in, a Take-over Bid, either alone or by acting jointly or in concert with another Person;

- (iv) an underwriter or a member of a banking or selling group acting in such capacity that becomes the Beneficial Owner of 20% or more of the Voting Shares in connection with a distribution of securities pursuant to an underwriting agreement with the Corporation; or
 - (v) any Person (a "Grandfathered Person") who is the Beneficial Owner of more than 20% of the Voting Shares determined as at the Record Time, provided, however, that this exception shall not, and shall cease to, apply if, after the Record Time, the Grandfathered Person: (1) ceases to own more than 20% of the outstanding Voting Shares; or (2) becomes the Beneficial Owner of more than 1% of the number of outstanding Voting Shares then outstanding in addition to those Voting Shares such Person already holds (otherwise than pursuant to a Voting Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition, a Pro Rata Acquisition or a Convertible Security Acquisition or any combination thereof).
- (b) **"Affiliate"**, when used to indicate a relationship with a specified Person, means a Person that directly, or indirectly, controls, or is controlled by, or is under common control with, such specified Person.
- (c) **"Associate"**, when used to indicate a relationship with a specified Person, means (i) any corporation of which such Person beneficially owns, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all voting securities of such corporation for the time being outstanding, (ii) any partner of that Person, (iii) any trust or estate in which such Person has a substantial beneficial interest or as to which such Person serves as trustee or in a similar capacity, (iv) a spouse of such specified Person, (v) any Person or either sex with whom such specified Person is living in a conjugal relationship outside marriage, or (vi) any relative of such specified Person who has the same home as such specified Person.
- (d) (i) A Person shall be deemed the **"Beneficial Owner"** of, and to have **"Beneficial Ownership"** of, and to **"Beneficially Own"**:
- (A) any securities of which such Person or any of such Person's Affiliates or Associates is the owner at law or in equity;
 - (B) any securities of which such Person or any of such Person's Affiliates or Associates has the right to become the owner at law or in equity immediately or within 60 days (where such right is exercisable within a period of 60 days, whether or not upon the condition or occurrence of any contingency or the making of one or more payments) upon the exercise of any conversion right, exchange right, share purchase right (other than the Rights) or pursuant to any agreement, arrangement, pledge or understanding, whether or not in writing, other than:
 - (1) customary agreements with and between underwriters and banking group or selling group members with respect to a distribution of securities; and

- (2) pledges of securities in the ordinary course of the pledgee's business; and
 - (C) any securities that are Beneficially Owned within the meaning of Section 1.1(d)(i)(A) or 1.1(d)(i)(B) by any other Person with which such Person is acting jointly or in concert.
- (ii) Notwithstanding the provisions of Section 1.1(d), a Person shall not be deemed the "Beneficial Owner" of, or to have "Beneficial Ownership" of, or to "Beneficially Own", any security because:
- (A)
 - (1) the holder of such security has agreed to deposit or tender such security to a Take-over Bid made by such Person or any of such Person's Affiliates or Associates or any other Person referred to in Section 1.1(d)(i)(C) pursuant to a Permitted Lock-up Agreement; or
 - (2) such security has been deposited or tendered pursuant to a Take-over Bid made by such Person or any of such Person's Affiliates or Associates or made by any other Person acting jointly or in concert with such Person until such deposited or tendered security has been taken up or paid for, whichever shall first occur;
 - (B) such Person, any Affiliate or Associate of such Person or any other Person acting jointly or in concert with such Person holds such security provided that:
 - (1) the ordinary business of such Person (the "Portfolio Manager") includes the management or administration of investment funds or mutual funds for other Persons and such security is held by the Portfolio Manager in the ordinary course of such business in the performance of the Portfolio Manager's duties for the account of any other Person (a "Client") including non-discretionary accounts held on behalf of a Client by a broker or dealer or broker-dealer registered under applicable law;
 - (2) such Person (the "Trust Company") is licensed to carry on the business of a trust company under applicable laws and, as such, acts as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent Persons (each, an "Estate Account") or in relation to other accounts (each, an "Other Account") and holds such security in the ordinary course of and for the purposes of the activities of such duties for such Estate Accounts or for such Other Accounts;
 - (3) such Person (the "Crown Agent") is established by statute for purposes that include, and the ordinary business or activity of such Person includes, the management of investment funds for employee benefit plans, pension plans, insurance plans, or various public bodies and the Crown Agent holds such security

in the ordinary course of and for the purposes of its activities as such; or

- (4) such Person (the "Plan Administrator") is the administrator or the trustee of one or more pension funds or plans registered under the laws of Canada or the United States of America or any province or state thereof (each, a "Plan") or is a Plan and such security is Beneficially Owned or held by the Person in the ordinary course of and for the purposes of its activities as such;

provided, however, that in any of the foregoing cases, the Portfolio Manager, the Trust Company, the Crown Agent, the Plan Administrator or the Plan, as the case may be, is not then making or has not then announced an intention to make, a Take-over Bid, other than an Offer to Acquire Voting Shares or other securities pursuant to a distribution by the Corporation, a Permitted Bid or by means of ordinary market transactions (including pre-arranged trades entered into in the ordinary course of business of such Person) executed through the facilities of a stock exchange or organized over-the-counter market in respect of securities of the Corporation, alone or by acting jointly or in concert with any other Person;

- (C) such Person is a Client of the same Portfolio Manager as another Person on whose account the Portfolio Manager holds such security, or because such Person is an Estate Account or an Other Account of the same Trust Company as another Person on whose account the Trust Company holds such security or because such Person is a Plan with the same Plan Administrator as another Plan on whose account the Plan Administrator holds such security;
- (D) such Person is a Client of a Portfolio Manager and such security is owned at law or in equity by the Portfolio Manager or because such Person is an Estate Account or an Other Account of a Trust Company and such security is owned at law or in equity by the Trust Company or such Person is a Plan and such security is owned at law or in equity by the Plan Administrator of such Plan; or
- (E) such Person is the registered holder of securities as a result of carrying on the business, or acting as a nominee, of a securities depository.

For the purposes of this Agreement, in determining the percentage of the outstanding Voting Shares with respect to which a Person is or is deemed to be the Beneficial Owner, any unissued Voting Shares as to which such Person is deemed the Beneficial Owner pursuant to this Section 1.1(d) shall be deemed outstanding.

- (e) **"Board of Directors"** means the board of directors of the Corporation or any duly constituted and empowered committee thereof.
- (f) **"Business Day"** means any day, other than a Saturday or Sunday or a day on which banking institutions in Toronto, Ontario are authorized or obligated by law to close.

- (g) **"Close of Business"** on any given date means the time on such date (or, if such date is not a Business Day, the time on the next Business Day) at which the principal office of the transfer agent for the Common Shares in Toronto, Ontario (or after the Separation Time, the principal office of the Rights Agent in Toronto, Ontario) is closed to the public.
- (h) **"Closing Price"** per security of any securities on any date of determination means:
- (i) the closing board lot sale price or, if such price is not available, the average of the closing bid and asked prices, for each of such securities as reported by the principal stock exchange or national securities quotation system on which such securities are listed or admitted to trading (provided that, if at the date of determination such securities are listed or admitted to trading on more than one stock exchange or national securities quotation system, then such price or prices shall be determined based upon the stock exchange or quotation system on which such securities are then listed or admitted to trading on which the largest number of such securities were traded during the most recently completed calendar year);
 - (ii) if for any reason none of such prices is available on such day or the securities are not listed or admitted to trading on a stock exchange or a national securities quotation system, then the last sale price, or in case no sale takes place on such date, the average of the high bid and low asked prices for each of such securities in the over-the-counter market, as quoted by any reporting system then in use; or
 - (iii) if for any reason none of such prices is available on such day or the securities are not listed or admitted to trading on a stock exchange or a national securities quotation system or quoted by any such reporting system, then the average of the closing bid and asked prices as furnished by a professional market maker making a market in the securities selected in good faith by the Board of Directors,

provided, however, that if for any reason none of such prices are available on such date, then the "Closing Price" per security of such securities on such date shall mean the fair value per security of the securities on such date as determined by a nationally or internationally recognized investment dealer or investment banker with respect to the fair value per security of such securities.

- (i) **"Common Shares"** means the common shares which the Corporation is authorized to issue, as such shares may be subdivided, consolidated, reclassified or otherwise changed from time to time, and "common shares" when used with reference to any Person other than the Corporation means the class or classes of shares (or similar equity interests) with the greatest per share voting power entitled to vote generally in the election of all directors of such other Person or the equity securities or other equity interest having power (whether or not exercised) to control or direct the management of such other Person or, if such other Person is a Subsidiary of another Person, of the Person or Persons (other than an individual) which ultimately control such first mentioned other Person.
- (j) **"Competing Permitted Bid"** means a Take-over Bid that:
- (i) is made after another Permitted Bid has been made and prior to the expiry of such Permitted Bid;

- (ii) satisfies all components of the definition of a Permitted Bid other than the requirement set forth in Section 1.1(ff)(ii)(A)(1); and
 - (iii) contains, and the take-up and payment for securities tendered or deposited thereunder is subject to, irrevocable and unqualified conditions that no Voting Shares shall be taken up or paid for pursuant to such Take-over Bid prior to the Close of Business on a date that is no earlier than the later of:
 - (A) 35 days after the date of such Take-over Bid; and
 - (B) the earliest date on which Voting Shares may be taken up or paid for under any other Permitted Bid that preceded the Competing Permitted Bid that is then in existence for the Voting Shares.
- (k) "**Controlled**": a Person is considered to be "controlled" by another Person or two or more Persons if:
- (i) in the case of a Person other than a partnership or a limited partnership, including, without limitation, a corporation or body or body corporate
 - (A) securities entitled to vote in the election of directors carrying more than 50% of the votes for the election of directors are held, directly or indirectly, by or for the benefit of the other Person or two or more Persons acting jointly or in concert, and
 - (B) the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of such Person;
 - (ii) in the case of a partnership other than a limited partnership, more than 50% of the interests in such partnership are held by the other Person or Persons; and
 - (iii) in the case of a limited partnership, the other Person or each of the other Persons is a general partner of the limited partnership, and "**controls**", "**controlling**" and "**under common control with**" shall be interpreted accordingly.
- (l) "**Convertible Security**" means a security convertible or exchangeable into a Voting Share and a "**Convertible Security Acquisition**" means an acquisition by a Person of Voting Shares upon the exercise, conversion or exchange of Convertible Securities received by a Person pursuant to a Permitted Bid Acquisition, an Exempt Acquisition or a Pro Rata Acquisition.
- (m) "**Co-Rights Agents**" has the meaning ascribed thereto in Section 4.1.1.
- (n) "**Disposition Date**" has the meaning ascribed thereto in Section 5.1.2.
- (o) "**Effective Date**" means May 24, 2011.
- (p) "**Election to Exercise**" has the meaning ascribed thereto in Section 2.2.4(b).
- (q) "**Exchange**" means the TSX Venture Exchange and any other exchange on which the Common Shares may, from time to time, be listed for trading.

- (r) **"Exempt Acquisition"** means an acquisition of Voting Shares or Convertible Securities in respect of which the Board of Directors has waived the application of Section 3.1 pursuant to Sections 5.1.2, 5.1.4 or 5.1.5 or which was made on or prior to the Record Time.
- (s) **"Exercise Price"** means, as of any date, the price at which a holder of a Right may purchase the securities issuable upon exercise of one whole Right and, until adjustment thereof in accordance with the terms hereof, the Exercise Price shall be US\$10.00.
- (t) **"Expansion Factor"** has the meaning ascribed thereto in Section 2.3.2(i)(A).
- (u) **"Expiration Time"** means the earlier of:
 - (i) the Termination Time; and
 - (ii) the Close of Business on the date on which the first annual meeting of shareholders of the Corporation following the third anniversary of the Effective Date is held,

provided, however, that if the resolution referred to in Section 5.15 is approved by the Independent Shareholders in accordance with Section 5.15 at or prior to such annual meeting, "Expiration Time" means the earlier of:

 - (iii) the Termination Time; and
 - (iv) the Close of Business on the sixth anniversary of the Effective Date.
- (v) **"Fiduciary"** means, when acting in that capacity, a trust company registered under the trust company legislation of Canada or any province thereof, a trust company organized under the laws of any state of the United States, a portfolio manager registered under the securities legislation of one or more provinces of Canada or an investment adviser registered under the United States *Investment Advisers Act of 1940*, as amended, or any other securities legislation of the United States or any state of the United States.
- (w) **"Flip-in Event"** means a transaction or event in or pursuant to which any Person becomes an Acquiring Person.
- (x) **"Holder"** has the meaning ascribed thereto in Section 2.8.
- (y) **"Independent Shareholders"** means holders of outstanding Voting Shares, other than Voting Shares Beneficially Owned by any:
 - (i) Acquiring Person other than a Person who at the relevant time is deemed not to Beneficially Own such Voting Shares by reason of Section 1.1(d)(ii)(B);
 - (ii) Offeror other than a Person who at the relevant time is deemed not to Beneficially Own such Voting Shares by reason of Section 1.1(d)(ii)(B);
 - (iii) Affiliate or Associate of such Acquiring Person or Offeror;

- (iv) Person acting jointly or in concert with such Acquiring Person or Offeror; or
 - (v) employee benefit plan, stock purchase plan, deferred profit sharing plan and any similar plan or trust for the benefit of employees of the Corporation or a Subsidiary of the Corporation, unless the beneficiaries of such plan or trust direct the manner in which the Voting Shares are to be voted or withheld from voting or direct whether or not the Voting Shares are to be tendered to a Take-over Bid.
- (z) "**Market Price**" per security of any securities on any date of determination means the average of the daily Closing Prices per security of such securities on each of the 20 consecutive Trading Days through and including the Trading Day immediately preceding such date of determination; provided, however, that if an event of a type analogous to any of the events described in Section 2.3 shall have caused any Closing Price used to determine the Market Price on any Trading Day not to be fully comparable with the Closing Price on the Trading Day immediately preceding such date of determination, each such Closing Price so used shall be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 (as determined by the Board of Directors acting in good faith) in order to make it fully comparable with the Closing Price on the Trading Day immediately preceding such date of determination.
- (aa) "**Nominee**" has the meaning ascribed thereto in Section 2.2.3.
- (bb) "**Offer to Acquire**" shall include:
- (i) an offer to purchase or a solicitation of an offer to sell Voting Shares, or a public announcement of an intention to make such an offer or solicitation; and
 - (ii) an acceptance of an offer to sell Voting Shares, whether or not such offer to sell has been solicited,
- or any combination thereof, and the Person accepting an offer to sell shall be deemed to be making an Offer to Acquire to the Person that made the offer to sell.
- (cc) "**Offeror**" means a Person who has announced a current intention to make, or who is making, a Take-over Bid.
- (dd) "**Offeror's Securities**" means the aggregate of the Voting Shares Beneficially Owned on the date of a Take-over Bid by an Offeror.
- (ee) "**OBCA**" means the *Business Corporations Act* (Ontario) and the regulations thereunder, and any comparable or successor laws or regulations thereto.
- (ff) "**Permitted Bid**" means a Take-over Bid made by way of a Take-over Bid circular and which also complies with the following additional provisions:
- (i) the Take-over Bid is made to all holders of record of Voting Shares of the Corporation, other than the Offeror; and
 - (ii) the Take-over Bid contains, and the take-up and payment for securities tendered or deposited thereunder is subject to, irrevocable and unqualified conditions that:

- (A) no Voting Shares shall be taken up or paid for pursuant to the Take-over Bid:
 - (1) prior to the Close of Business on a date which is not less than 60 days following the date of the Take-over Bid; and
 - (2) unless, at the Close of Business on such date, more than 50% of the then outstanding Voting Shares held by Independent Shareholders have been deposited or tendered pursuant to the Take-over Bid and have not been withdrawn;
- (B) unless the Take-over Bid is withdrawn, Voting Shares may be deposited pursuant to such Take-over Bid at any time prior to the Close of Business on the date of the first take-up of or payment for Voting Shares;
- (C) any Voting Shares deposited pursuant to the Take-over Bid may be withdrawn until taken up and paid for; and
- (D) in the event that the requirement set forth in Section 1.1(ff)(ii)(A)(2) is satisfied, the Offeror will make a public announcement of that fact and the Take-over Bid will remain open for deposits and tenders of Voting Shares for not less than 10 Business Days from the date of such public announcement,

provided that, should a Permitted Bid cease to be a Permitted Bid because it ceases to meet any or all of the requirements mentioned above prior to the time it expires (after giving effect to any extension) or is withdrawn, then any acquisition of Voting Shares made pursuant to such Permitted Bid, including any acquisition of Voting Shares made prior to such time, shall not be a Permitted Bid Acquisition. The term Permitted Bid shall include a Competing Permitted Bid.

- (gg) **"Permitted Bid Acquisition"** means an acquisition of Voting Shares made pursuant to a Permitted Bid or a Competing Permitted Bid.
- (hh) **"Permitted Lock-up Agreement"** means an agreement between a Person and one or more holders of Voting Shares (each, a "Locked-up Person") (the terms of which are publicly disclosed and a copy of which is made available to the public, including the Corporation, not later than the date of the Lock-up Bid (as defined below) or, if the Lock-up Bid has been made prior to the date on which such agreement is entered into, not later than the date of such agreement and if such date is not a Business Day, the next Business Day) pursuant to which each such Locked-up Person agrees to deposit or tender Voting Shares to a Take-over Bid (the "Lock-up Bid") made or to be made by the Person, any of such Person's Affiliates or Associates or any other Person acting jointly or in concert with such Person, provided that:
 - (i) the agreement permits any Locked-up Person to terminate its obligation to deposit or tender to or not to withdraw Voting Shares from the Lock-up Bid in order to tender or deposit the Voting Shares to another Take-over Bid or support another transaction:

- (A) where the price or value per Common Share offered under such other Take-over Bid or transaction is higher than the price or value per Common Share offered under the Lock-up Bid; or
- (B) if:
 - (1) the price or value per Common Share offered under the other Take-over Bid or transaction exceeds by as much as or more than a specified amount (the "Specified Amount") the price or value per Common Share offered under the Lock-up Bid, provided that such Specified Amount is not greater than 7% of the price or value per Common Share offered under the Lock-up Bid; or
 - (2) the number of Voting Shares to be purchased under the other Take-over Bid or transaction exceeds by as much as or more than a specified number (the "Specified Number") the number of Voting Shares that the Offeror has offered to purchase under the Lock-up Bid at a price or value per Common Share that is not less than the price or value per Common Share offered under the Lock-up Bid, provided that the Specified Number is not greater than 7% of the number of Voting Shares offered to be purchased under the Lock-up Bid,

and, for greater clarity, the agreement may contain a right of first refusal or require a period of delay to give such Person an opportunity to match a higher price in another Take-over Bid or transaction or other similar limitation on a Locked-up Person's right to withdraw Voting Shares from the agreement, so long as the limitation does not preclude the exercise by the Locked-up Person of the right to withdraw Voting Shares during the period of the other Take-over Bid or transaction; and

- (ii) no "break-up" fees, "top-up" fees, penalties, expenses or other amounts that exceed in the aggregate the greater of:
 - (A) the cash equivalent of 2.5% of the price or value of the consideration payable under the Lock-up Bid to a Locked-up Person; and
 - (B) 50% of the amount by which the price or value of the consideration payable under another Take-over Bid or transaction to a Locked-up Person exceeds the price or value of the consideration that such Locked-up Person would have received under the Lock-up Bid,

shall be payable by a Locked-up Person pursuant to the agreement in the event a Locked-up Person fails to deposit or tender Voting Shares to the Lock-up Bid or withdraws Voting Shares in order to accept the other Take-over Bid or support another transaction.

- (ii) "**Person**" includes any individual, firm, partnership, association, trust, trustee, executor, administrator, legal personal representative, government, governmental body or authority,

corporation or other incorporated or unincorporated organization, syndicate or other entity.

- (jj) **"Pro Rata Acquisition"** means an acquisition by a Person of Voting Shares pursuant to:
- (i) any dividend reinvestment plan or share purchase plan of the Corporation made available to all holders of Voting Shares (other than holders resident in any jurisdiction where participation in any such plan is restricted or impractical as a result of applicable law);
 - (ii) a stock dividend, a stock split or other event pursuant to which such Person becomes the Beneficial Owner of Voting Shares on the same pro rata basis as all other holders of Voting Shares of the same class or series;
 - (iii) the acquisition or exercise of rights to purchase Voting Shares distributed to all holders of Voting Shares (other than holders resident in any jurisdiction where such distribution is restricted or impractical as a result of applicable law) by the Corporation pursuant to a rights offering (but only if such rights are acquired directly from the Corporation); or
 - (iv) a distribution of Voting Shares or Convertible Securities made pursuant to a prospectus or by way of a private placement or a conversion or exchange of any Convertible Security,

provided, however, that such Person does not thereby acquire a greater percentage of Voting Shares or of Convertible Securities so offered than such Person's percentage of Voting Shares Beneficially Owned immediately prior to such acquisition.

- (kk) **"Record Time"** means the Close of Business on the Effective Date.
- (ll) **"Redemption Price"** has the meaning attributed thereto in Section 5.1.1.
- (mm) **"Regular Periodic Cash Dividend"** means cash dividends paid on the Common Shares at regular intervals in any fiscal year of the Corporation to the extent that such cash dividends do not exceed in the aggregate in any fiscal year, on a per share basis, the greatest of:
- (i) 200% of the aggregate amount of cash dividends declared payable by the Corporation on its Common Shares in its immediately preceding fiscal year divided by the number of Common Shares outstanding as at the end of such fiscal year;
 - (ii) 300% of the arithmetic mean of the aggregate amounts of cash dividends declared payable by the Corporation on its Common Shares in its three immediately preceding fiscal years divided by the arithmetic mean of the number of Common Shares outstanding as at the end of each of such fiscal years; and
 - (iii) 100% of the aggregate consolidated net income of the Corporation, before extraordinary items, for its immediately preceding fiscal year divided by the number of Common Shares outstanding as at the end of such fiscal year.

- (nn) "**Rights**" means the herein described rights to purchase securities pursuant to the terms and subject to the conditions set forth herein.
- (oo) "**Rights Certificate**" means a certificate representing the Rights after the Separation Time which shall be substantially in the form attached hereto as Schedule A.
- (pp) "**Rights Register**" and "**Rights Registrar**" have the respective meanings ascribed thereto in Section 2.6.1.
- (qq) "**Securities Act (Ontario)**" means the *Securities Act (Ontario)*, as amended, and the regulations made thereunder, as now in effect or as the same may from time to time be amended, re-enacted or replaced.
- (rr) "**Separation Time**" means the Close of Business on the eighth Business Day after the earlier of:
- (i) the Stock Acquisition Date; and
 - (ii) the date of the commencement of, or first public announcement or disclosure of the intent of any Person (other than the Corporation or any Subsidiary of the Corporation) to commence, a Take-over Bid (other than a Permitted Bid, so long as such Take-over Bid continues to satisfy the requirements of a Permitted Bid),
- or such later date as may be determined by the Board of Directors in good faith, provided that if any such Take-over Bid expires, is cancelled, is terminated or is otherwise withdrawn prior to the Separation Time without securities deposited thereunder being taken up and paid for, then such Take-over Bid shall be deemed, for purposes of this Section 1.1(rr) never to have been made, and, provided further, that if the Board of Directors determines, pursuant to Section 5.1, to waive the application of Section 3.1 to a Flip-In Event, then the Separation Time in respect of such Flip-In Event shall be deemed never to have occurred.
- (ss) "**Stock Acquisition Date**" means the first date of public announcement or disclosure by the Corporation or an Acquiring Person of facts indicating that a Person has become an Acquiring Person, which, for the purposes of this definition, shall include, without limitation, a report filed pursuant to Section 101 of the Securities Act (Ontario) or Section 13(d) of the U.S. Exchange Act announcing or disclosing such information.
- (tt) "**Subsidiary**" means a body corporate that is controlled by another Person.
- (uu) "**Take-over Bid**" means an Offer to Acquire Voting Shares, or securities convertible into Voting Shares of that class, where the Voting Shares subject to the Offer to Acquire, together with the Voting Shares into or for which the securities subject to the Offer to Acquire are convertible or exchangeable and the Offeror's Securities constitute in the aggregate 20% or more of the outstanding Voting Shares at the date of the Offer to Acquire.
- (vv) "**Termination Time**" means the time at which the right to exercise Rights shall terminate pursuant to Section 5.1.

- (ww) "**Trading Day**", when used with respect to any securities, means the day on which the principal Canadian or United States securities exchange (as determined by the Board of Directors) on which such securities are listed or admitted to trading is open for the transaction of business or, if the securities are not listed or admitted to trading on any Canadian or United States securities exchange, a Business Day.
- (xx) "**U.S. Exchange Act**" means the United States *Securities Exchange Act of 1934*, as amended, and the rules and regulations thereunder as from time to time in effect, and any comparable or successor laws, rules or regulations thereto.
- (yy) "**Voting Share Reduction**" means an acquisition, redemption or cancellation by the Corporation of Voting Shares which, by reducing the number of Voting Shares outstanding, increases the percentage of Voting Shares Beneficially Owned by any Person to 20% or more of the Voting Shares then outstanding.
- (zz) "**Voting Shares**" means the Common Shares and any other securities the holders of which are entitled to vote generally on the election of directors of the Corporation and "voting shares", when used with reference to any Person other than the Corporation, means common shares of such other Person and any other securities the holders of which are entitled to vote generally in the election of the directors or to otherwise affect control of such other Person.
- (aaa) "**1933 Act**" means the United States *Securities Act of 1933*, as amended, and the rules and regulations thereunder, and any comparable or successor laws, rules or regulations thereto.

1.2 Currency

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada, unless otherwise specified.

1.3 Number and Gender

Wherever the context will require, terms (including defined terms) used herein importing the singular number only shall include the plural and vice versa and words importing any one gender shall include all others.

1.4 Sections and Headings

The division of this Agreement into Articles, Sections and Schedules and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms this "Agreement", "hereunder", "hereof", and similar expressions refer to this Agreement as amended or supplemented from time to time and not to any particular Article, Section or Schedule or other portion hereof and include any agreement or instrument supplemental or ancillary hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Schedules are to Articles, Sections and Schedules of or to this Agreement.

1.5 Statutory References

Unless the context otherwise requires, any reference to a specific section, subsection, clause or rule of any act or regulation shall be deemed to refer to the same as it may be amended,

reenacted or replaced or, if repealed and there shall be no replacement therefor, to the same as it is in effect on the date of this Agreement.

1.6 Determination of Percentage Ownership

The percentage of Voting Shares Beneficially Owned by any Person, shall, for the purposes of this Agreement, be and be deemed to be the product determined by the formula:

$$100 \times \frac{A}{B}$$

where:

- A = the aggregate number of votes for the election of all directors generally attaching to the Voting Shares Beneficially Owned by such Person; and
- B = the aggregate number of votes for the election of all directors generally attaching to all outstanding Voting Shares,

provided that where any Person is deemed to Beneficially Own unissued Voting Shares pursuant to Section 1.1(d), such Voting Shares shall be deemed to be outstanding for the purpose of both A and B in the formula above.

1.7 Acting Jointly or In Concert

For the purposes of this Agreement, a Person is acting jointly or in concert with every Person who is a party to an agreement, commitment or understanding, whether formal or informal or written or unwritten, with the first Person, or with any other Person acting jointly or in concert with the first Person, to acquire or to Offer to Acquire Voting Shares or Convertible Securities (other than customary agreements with and between underwriters and banking or selling group members with respect to a distribution of securities and pledges of securities in the ordinary course of business to secure indebtedness).

1.8 Generally Accepted Accounting Principles

Wherever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be the recommendations at the relevant time of the Canadian Institute of Chartered Accountants, or any successor institute, applicable on a consolidated basis (unless otherwise specifically provided herein to be applicable on an unconsolidated basis) as at the date on which a calculation is made or required to be made in accordance with generally accepted accounting principles. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other accounting computation is required to be made for the purpose of this Agreement or any document, such determination or calculation shall, to the extent applicable and except as otherwise specified herein or as otherwise agreed in writing by the parties, be made in accordance with generally accepted accounting principles applied on a consistent basis.

ARTICLE 2 THE RIGHTS

2.1 Legend on Common Share Certificates

2.1.1 Certificates representing the Common Shares, including without limitation Common Shares issued upon the conversion of Convertible Securities, issued after the later of:

- (a) the Record Time; and
- (b) the date on which all required regulatory approvals required in respect of this Agreement have been received,

but prior to the Close of Business on the earlier of:

- (c) the Separation Time; and
- (d) the Expiration Time,

shall also evidence one Right for each Common Share represented thereby and shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

"Until the Separation Time (as defined in the Rights Agreement referred to below), this certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Shareholder Rights Plan Agreement dated May 24, 2011 (the "Rights Agreement"), between the Corporation and Equity Financial Trust Company, as Rights Agent, the terms of which are hereby incorporated herein by reference and a copy of which is on file at the registered office of the Corporation. Under certain circumstances, as set forth in the Rights Agreement, such Rights may be amended or redeemed, may expire, may become void (if, in certain cases, they are "Beneficially Owned" by an "Acquiring Person", as such terms are defined in the Rights Agreement, or a transferee thereof) or may be evidenced by separate certificates and may no longer be evidenced by this certificate. The Corporation will mail or arrange for the mailing of a copy of the Rights Agreement to the holder of this certificate without charge as soon as practicable after the receipt of a written request therefor."

2.1.2 Certificates representing Common Shares that are issued and outstanding at the later of:

- (a) the Record Time; and
- (b) the date on which all required regulatory approvals required in respect of this Agreement have been received,

shall evidence one Right for each Common Share evidenced thereby, notwithstanding the absence of the foregoing legend, until the earlier of:

- (c) the Separation Time; and
- (d) the Expiration Time.

2.2 Initial Exercise Price; Exercise of Rights; Detachment of Rights

2.2.1 Subject to adjustment as herein set forth, including without limitation as set forth in Article 3 each Right will entitle the holder thereof, from and after the Separation Time and prior to the Expiration Time, to purchase one Common Share for the Exercise Price as at the Business Day immediately preceding the Separation Time (which Exercise Price and number of Common Shares are

subject to adjustment as set forth below). Notwithstanding any other provision of this Agreement, any Rights held by the Corporation or any of its Subsidiaries shall be void.

2.2.2 Until the Separation Time:

- (a) the Rights shall not be exercisable and no Right may be exercised; and
- (b) for administrative purposes, each Right will be evidenced by the certificate for the associated Common Share registered in the name of the holder thereof (which certificate shall be deemed to represent a Rights Certificate) and will be transferable only together with, and will be transferred by a transfer of, such associated Common Share.

2.2.3 From and after the Separation Time and prior to the Expiration Time, the Rights may be exercised, and the registration and transfer of the Rights shall be separate from and independent of Common Shares. Promptly following the Separation Time, the Corporation will prepare or cause to be prepared and the Rights Agent will mail to each holder of record of Common Shares as of the Separation Time and, in respect of each Convertible Security converted into Common Shares after the Separation Time and prior to the Expiration Time, promptly after such conversion, the Corporation will prepare or cause to be prepared and the Rights Agent will mail to the holder so converting (other than an Acquiring Person and, in respect of any Rights Beneficially Owned by such Acquiring Person which are not held of record by such Acquiring Person, the holder of record of such rights (a "Nominee")) at such holder's address as shown by the records of the Corporation (the Corporation hereby agreeing to furnish copies of such records to the Rights Agent for this purpose):

- (a) a Rights Certificate in substantially the form of Schedule A appropriately completed, representing the number of Rights held by such holder at the Separation Time and having such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Corporation may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law, rule or regulation or judicial or administrative order, or with any article, requirement or regulation of any stock exchange or quotation system on which the Rights may from time to time be listed or traded, or to conform to usage; and
- (b) a disclosure statement prepared by the Corporation describing the Rights,

provided that a Nominee shall be sent the materials provided for in Sections 2.2.3(a) and 2.2.3(b) only in respect of all Common Shares held of record by it which are not Beneficially Owned by an Acquiring Person and the Corporation may require any Nominee or suspected Nominee to provide such information and documentation as the Corporation may reasonably require for such purpose.

2.2.4 Rights may be exercised in whole or in part on any Business Day after the Separation Time and prior to the Expiration Time by submitting to the Rights Agent, at its principal office in Toronto, Ontario:

- (a) the Rights Certificate evidencing such Rights;
- (b) an election to exercise (an "Election to Exercise") substantially in the form attached to the Rights Certificate duly completed, and executed in a manner acceptable to the Rights Agent; and

- (c) payment in cash, or by certified cheque, banker's draft or money order payable to the order of the Corporation, of a sum equal to the Exercise Price multiplied by the number of Rights being exercised and a sum sufficient to cover any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issue or delivery of certificates for Common Shares in a name other than that of the holder of the Rights being exercised.

2.2.5 Upon receipt of a Rights Certificate, which is accompanied by an appropriately completed and duly executed Election to Exercise (which does not indicate that such Right is null and void as provided by Section 3.1.2 and payment as set forth in Section 2.2.4, the Rights Agent (unless otherwise instructed by the Corporation) will thereupon promptly:

- (a) requisition from the transfer agent of the Common Shares certificates representing the number of Common Shares to be purchased (the Corporation hereby irrevocably authorizing its transfer agent to comply with all such requisitions);
- (b) after receipt of such Common Share certificates, deliver such certificates to, or to the order of, the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder;
- (c) when appropriate, requisition from the Corporation the amount of cash, if any, to be paid in lieu of issuing fractional Common Shares;
- (d) when appropriate, after receipt of such cash, deliver such cash to, or to the order of, the registered holder of the Rights Certificate; and
- (e) tender to the Corporation all payments received on exercise of the Rights.

2.2.6 If the holder of any Rights shall exercise less than all the Rights evidenced by such holder's Rights Certificate, a new Rights Certificate evidencing the Rights remaining unexercised will be issued by the Rights Agent to such holder or to such holder's duly authorized assigns.

2.2.7 The Corporation covenants and agrees that it will:

- (a) take all such action as may be necessary and within its power to ensure that all Common Shares delivered upon the exercise of Rights shall, at the time of delivery of the certificates for such Common Shares (subject to payment of the Exercise Price), be duly and validly authorized, executed, issued and delivered as fully paid and non-assessable;
- (b) take all such action as may reasonably be considered to be necessary and within its power to comply with any applicable requirements of the OBCA, the Securities Act (Ontario), the U.S. Exchange Act, the 1933 Act and comparable legislation of each of the other provinces and territories of Canada and states of the United States of America, or the rules and regulations thereunder or any other applicable law, rule or regulation, in connection with the issue and delivery of the Rights, the Rights Certificates and the issue of any Common Shares upon exercise of the Rights;
- (c) use reasonable efforts to cause all Common Shares issued upon exercise of the Rights to be listed on the stock exchanges on which the Common Shares are listed at that time;

- (d) cause to be reserved and kept available out of its authorized and unissued Common Shares, the number of Common Shares that, as provided in this Agreement, will from time to time be sufficient to permit the exercise in full of all outstanding Rights;
- (e) pay when due and payable, if applicable, any and all federal, provincial and municipal taxes (not in the nature of income, capital gains or withholding taxes) and charges which may be payable in respect of the original issue or delivery of the Rights Certificates or certificates for Common Shares issued upon the exercise of Rights, provided that the Corporation shall not be required to pay any transfer tax or charge which may be payable in respect of any transfer of Rights or the issue or delivery of certificates for Common Shares issued upon the exercise of Rights, in a name other than that of the holder of the Rights being transferred or exercised; and
- (f) after the Separation Time, except as permitted by Section 5.1 or Section 5.4, not take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

2.3 Adjustments to Exercise Price; Number of Rights

2.3.1 The Exercise Price, the number and kind of securities subject to purchase upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 2.3 and in Article 3.

2.3.2 In the event that the Corporation shall at any time after the Record Time and prior to the Expiration Time:

- (a) declare or pay a dividend on the Common Shares payable in Voting Shares or Convertible Securities in respect thereof other than pursuant to any dividend reinvestment plan;
- (b) subdivide or change the then outstanding Common Shares into a greater number of Common Shares;
- (c) consolidate or change the then outstanding Common Shares into a smaller number of Common Shares; or
- (d) issue any Voting Shares (or Convertible Securities in respect thereof) in respect of, in lieu of or in exchange for existing Common Shares, whether in a reclassification, amalgamation, statutory arrangement, consolidation or otherwise,

then the Exercise Price and the number of Rights outstanding (or, if the payment or effective date therefor shall occur after the Separation Time, the securities purchasable upon the exercise of Rights) shall be adjusted as follows:

- (i) if the Exercise Price and number of Rights outstanding are to be adjusted:
 - (A) the Exercise Price in effect after such adjustment will be equal to the Exercise Price in effect immediately prior to such adjustment divided by the number of Common Shares (or other securities of the Corporation) (the "Expansion Factor") that a holder of one Common Share

immediately prior to such dividend, subdivision, change, combination or issue would hold thereafter as a result thereof; and

(B) each Right held prior to such adjustment will become that number of Rights equal to the Expansion Factor, and the adjusted number of Rights will be deemed to be allocated among the Common Shares with respect to which the original Rights were associated (if they remain outstanding) and the securities of the Corporation issued in respect of such dividend, subdivision, change, consolidation or issue, so that each such Common Share (or other security of the Corporation) will have exactly one Right associated with it; and

(ii) if the securities purchasable upon exercise of Rights are to be adjusted, the securities purchasable upon exercise of each Right after such adjustment will be the securities that a holder of the securities purchasable upon exercise of one Right immediately prior to such dividend, subdivision, change, consolidation or issue would hold thereafter as a result thereof.

Adjustments made pursuant to this Section 2.3.2 shall be made successively, whenever an event referred to in this Section 2.3.2 occurs.

2.3.3 If, after the Record Time and prior to the Expiration Time, the Corporation shall issue any of its securities other than Common Shares in a transaction of a type described in Sections 2.3.2(a) or 2.3.2(d), such securities shall be treated herein as nearly equivalent to Common Shares as may be practicable and appropriate under the circumstances and the Corporation and the Rights Agent agree to amend this Agreement in order to effect such treatment.

2.3.4 If an event occurs which would require an adjustment under both this Section 2.3 and Section 3.1, the adjustment provided for in this Section 2.3 shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 3.1.

2.3.5 In the event the Corporation shall at any time after the Record Time and prior to the Separation Time issue any Common Shares otherwise than in a transaction referred to in Section 2.3.2, each such Common Share so issued shall automatically have one new Right associated with it, which Right shall be evidenced by the certificate representing such Common Share.

2.3.6 (a) In the event the Corporation shall, at any time after the Record Time and prior to the Expiration Time, fix a record date for the making of a distribution to all holders of Common Shares of rights or warrants entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Common Shares (or Convertible Securities in respect of Common Shares) at a price per Common Share (or, in the case of such a Convertible Security, having a conversion, exchange or exercise price per share (including the price required to be paid to purchase such Convertible Security)) less than 90% of the Market Price per Common Share on such record date, the Exercise Price in effect after such record date will equal the Exercise Price in effect immediately prior to such record date multiplied by a fraction:

(i) of which the numerator shall be the number of Common Shares outstanding on such record date plus the number of Common Shares which the aggregate offering price of the total number of Common Shares so to be offered (and/or the aggregate initial conversion, exchange or exercise price of the Convertible

Securities so to be offered (including the price required to be paid to purchase such Convertible Securities)) would purchase at such Market Price per Common Share; and

- (ii) of which the denominator shall be the number of Common Shares outstanding on such record date plus the number of additional Common Shares to be offered for subscription or purchase (or into which the Convertible Securities so to be offered are initially convertible, exchangeable or exercisable).
- (b) In case such subscription price is satisfied, in whole or in part, by consideration other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that such rights or warrants are not exercised prior to the expiration thereof, the Exercise Price shall be readjusted in the manner contemplated above based on the number of Common Shares (or securities convertible into or exchangeable for Common Shares) actually issued upon the exercise of such rights or warrants.
- (c) For purposes of this Agreement, the granting of the right to purchase Common Shares (whether from treasury or otherwise) pursuant to any dividend or interest reinvestment plan or any share purchase plan providing for the reinvestment of dividends or interest payable on securities of the Corporation or the investment of periodic optional payments or employee benefit or similar plans (so long as such right to purchase is in no case evidenced by the delivery of rights or warrants by the Corporation) shall not be deemed to constitute an issue of rights or warrants by the Corporation; provided, however, that in the case of any dividend or interest reinvestment or share purchase plan, the right to purchase Common Shares is at a price per share of not less than 90% of the current market price per share (determined as provided in such plans) of the Common Shares.

2.3.7 In the event the Corporation shall at any time after the Record Time and prior to the Expiration Time fix a record date for the making of a distribution to all holders of Common Shares of:

- (a) evidences of indebtedness or assets (other than a Regular Periodic Cash Dividend or a dividend paid in Common Shares, but including any dividend payable in securities other than Common Shares); or
- (b) rights or warrants entitling them to subscribe for or purchase Voting Shares (or Convertible Securities in respect of Voting Shares),

at a price per Voting Share (or, in the case of a Convertible Security in respect of Voting Shares, having a conversion, exchange or exercise price per share (including the price required to be paid to purchase such Convertible Security)) less than 90% of the Market Price per Common Share on such record date (excluding rights or warrants referred to in Section 2.3.6), the Exercise Price in effect after such record date shall be equal to the Exercise Price in effect immediately prior to such record date less the fair market value (as determined in good faith by the Board of Directors) of the portion of the assets, evidences of indebtedness, rights, warrants or other securities so to be distributed applicable to each of the securities purchasable upon exercise of one Right. Such adjustment shall be made successively whenever such a record date is fixed.

2.3.8 Each adjustment made pursuant to this Section 2.3 shall be made as of:

- (a) the payment or effective date for the applicable dividend, subdivision, change, combination or issue, in the case of an adjustment made pursuant to Section 2.3.2; and
- (b) the record date for the applicable dividend or distribution, in the case of an adjustment made pursuant to Section 2.3.6 or 2.3.7, subject to readjustment to reverse the same if such distribution shall not be made.

2.3.9 In the event the Corporation shall at any time after the Record Time and prior to the Expiration Time issue any shares (other than Common Shares), or rights or warrants to subscribe for or purchase any such shares, or Convertible Securities in respect of any such shares, in a transaction referred to in any of Sections 2.3.2(a) to 2.3.2(d), inclusive, if the Board of Directors acting in good faith determines that the adjustments contemplated by Sections 2.3.2, 2.3.6 and 2.3.7 in connection with such transaction will not appropriately protect the interests of the holders of Rights, then the Board of Directors may from time to time, but subject to obtaining the prior approval of the holders of the Rights obtained as set forth in Section 5.4.2, determine what other adjustments to the Exercise Price, number of Rights or securities purchasable upon exercise of Rights would be appropriate and, notwithstanding Sections 2.3.2, 2.3.6 and 2.3.7, such adjustments, rather than the adjustments contemplated by Sections 2.3.2, 2.3.6 and 2.3.7, shall be made upon the Board of Directors providing written certification thereof to the Rights Agent as set forth in Section 2.3.17. The Corporation and the Rights Agent shall amend this Agreement as appropriate to provide for such adjustments.

2.3.10 Notwithstanding anything herein to the contrary, no adjustment of the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such Exercise Price; provided, however, that any adjustments which by reason of this Section 2.3.10 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All adjustments to the Exercise Price made pursuant to this Section 2.3 shall be calculated to the nearest cent.

2.3.11 All Rights originally issued by the Corporation subsequent to any adjustment made to an Exercise Price hereunder shall evidence the right to purchase, at the adjusted Exercise Price, the number of Common Shares purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

2.3.12 Unless the Corporation shall have exercised its election, as provided in Section 2.3.13, upon each adjustment of an Exercise Price as a result of the calculations made in Sections 2.3.6 and 2.3.7, each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Exercise Price, that number of Common Shares obtained by:

- (a) multiplying:
 - (i) the number of Common Shares covered by a Right immediately prior to such adjustment;by
 - (ii) the Exercise Price in effect immediately prior to such adjustment; and
- (b) dividing the product so obtained by the Exercise Price in effect immediately after such adjustment.

2.3.13 The Corporation may elect on or after the date of any adjustment of an Exercise Price to adjust the number of Rights, in lieu of any adjustment in the number of Common Shares purchasable upon the exercise of a Right. Each of the Rights outstanding after the adjustment in the number of Rights shall be exercisable for the number of Common Shares for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become the number of Rights obtained by dividing the relevant Exercise Price in effect immediately prior to adjustment of the relevant Exercise Price by the relevant Exercise Price in effect immediately after adjustment of the relevant Exercise Price. The Corporation shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the relevant Exercise Price is adjusted or any day thereafter, but, if the Rights Certificates have been issued, shall be at least 10 calendar days later than the date of the public announcement. If Rights Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 2.3.13, the Corporation shall, as promptly as practicable, cause to be distributed to holders of record of Rights Certificates on such record date, Rights Certificates evidencing, subject to Section 5.5, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Corporation, shall cause to be distributed to such holders of record in substitution and replacement for the Rights Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Corporation, new Rights Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Rights Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein and may bear, at the option of the Corporation, the relevant adjusted Exercise Price and shall be registered in the names of holders of record of Rights Certificates on the record date specified in the public announcement.

2.3.14 In any case in which this Section 2.3 shall require that an adjustment in an Exercise Price be made effective as of a record date for a specified event, the Corporation may elect to defer until the occurrence of such event the issue to the holder of any Right exercised after such record date of the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise over and above the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise on the basis of the relevant Exercise Price in effect prior to such adjustment; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional Common Shares (fractional or otherwise) or other securities upon the occurrence of the event requiring such adjustment.

2.3.15 Notwithstanding anything in this Section 2.3 to the contrary, the Corporation shall be entitled to make such adjustments in the Exercise Price, in addition to those adjustments expressly required by this Section 2.3, as and to the extent that in its good faith judgment the Board of Directors shall determine to be advisable in order that any:

- (a) subdivision or consolidation of the Common Shares;
- (b) issue wholly for cash of any Common Shares at less than the applicable Market Price;
- (c) issue wholly for cash of any Common Shares or securities that by their terms are exchangeable for or convertible into or give a right to acquire Common Shares;
- (d) stock dividends; or
- (e) issue of rights, options or warrants referred to in this Section 2.3, hereafter made by the Corporation to holders of its Common Shares,

shall not be taxable to such shareholders.

2.3.16 Irrespective of any adjustment or change in the securities purchasable upon exercise of the Rights, the Rights Certificates theretofor and thereafter issued may continue to represent the securities so purchasable which were represented in the initial Rights Certificates issued hereunder.

2.3.17 Whenever an adjustment to the Exercise Price is made pursuant to this Section 2.3, the Corporation shall:

- (a) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment; and
- (b) promptly file with the Rights Agent and with each transfer agent for the Common Shares a copy of such certificate and mail a brief summary thereof to each holder of Rights who requests a copy.

Failure to file such certificate or to cause such notice to be given as aforesaid, or any defect therein, shall not affect the validity of any such adjustment or change.

2.4 Date on Which Exercise is Effective

Each Person in whose name any certificate for Common Shares is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Common Shares represented thereby on, and such certificate shall be dated, the date upon which the Rights Certificate evidencing such Rights was duly surrendered (together with a duly completed Election to Exercise) and payment of the Exercise Price for such Rights (and any applicable transfer taxes and other governmental charges payable by the exercising Person hereunder) was made; provided, however, that if the date of such surrender and payment is a date upon which the Common Share transfer books of the Corporation are closed, such Person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next Business Day on which the Common Share transfer books of the Corporation are open.

2.5 Execution, Authentication, Delivery and Dating of Rights Certificates

2.5.1 The Rights Certificates shall be executed on behalf of the Corporation by its Chief Executive Officer, its Chief Financial Officer or its Secretary. The signature of any of these officers on the Rights Certificates may be manual or facsimile. Rights Certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Corporation shall bind the Corporation, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the countersignature and delivery of such Rights Certificates.

2.5.2 Promptly following the Separation Time, the Corporation will notify the Rights Agent of such Separation Time and will deliver Rights Certificates executed by the Corporation to the Rights Agent for countersignature, and the Rights Agent shall countersign (manually or by facsimile signature in a manner satisfactory to the Corporation) and deliver such Rights Certificates to the holders of the Rights pursuant to Section 2.2. No Rights Certificate shall be valid for any purpose until countersigned by the Rights Agent as aforesaid.

2.5.3 Each Rights Certificate shall be dated the date of countersignature thereof.

2.6 Registration, Transfer and Exchange

2.6.1 After the Separation Time, the Corporation will cause to be kept a register (the "Rights Register") in which, subject to such reasonable regulations as it may prescribe, the Corporation will provide for the registration and transfer of Rights. The Rights Agent is hereby appointed "Rights Registrar" for the purpose of maintaining the Rights Register for the Corporation and registering Rights and transfers of Rights as herein provided and the Rights Agent hereby accepts such appointment. In the event that the Rights Agent shall cease to be the Rights Registrar, the Rights Agent will have the right to examine the Rights Register at all reasonable times.

2.6.2 After the Separation Time and prior to the Expiration Time, upon surrender for registration of transfer or exchange of any Rights Certificate, and subject to the provisions of Sections 2.6.4 and 3.1.2, the Corporation will execute, and the Rights Agent will countersign, deliver and register, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Rights Certificates evidencing the same aggregate number of Rights as did the Rights Certificates so surrendered.

2.6.3 All Rights issued upon any registration of transfer or exchange of Rights Certificates shall be valid obligations of the Corporation, and such Rights shall be entitled to the same benefits under this Agreement as the Rights surrendered upon such registration of transfer or exchange.

2.6.4 Every Rights Certificate surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Corporation or the Rights Agent, as the case may be, duly executed by the holder thereof or such holder's attorney duly authorized, in writing. As a condition to the issue of any new Rights Certificate under this Section 2.6, the Corporation may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Rights Agent) in connection therewith.

2.7 Mutilated, Lost, Stolen and Destroyed Rights Certificates

2.7.1 If any mutilated Rights Certificate is surrendered to the Rights Agent prior to the Expiration Time, the Corporation shall execute and the Rights Agent shall countersign and deliver in exchange therefor a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so surrendered.

2.7.2 If there shall be delivered to the Corporation and the Rights Agent prior to the Expiration Time:

- (a) evidence to their reasonable satisfaction of the destruction, loss or theft of any Rights Certificate; and
- (b) such security or indemnity as may be reasonably required by them to save each of them and any of their agents harmless,

then, in the absence of notice to the Corporation or the Rights Agent that such Rights Certificate has been acquired by a bona fide purchaser, the Corporation shall execute and, upon the Corporation's request the Rights Agent shall countersign and deliver, in lieu of any such destroyed, lost or stolen Rights Certificate, a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so destroyed, lost or stolen.

2.7.3 As a condition to the issue of any new Rights Certificate under this Section 2.7, the Corporation may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Rights Agent) connected therewith.

2.7.4 Every new Rights Certificate issued pursuant to this Section 2.7 in lieu of any destroyed, lost or stolen Rights Certificate shall evidence a contractual obligation of the Corporation, whether or not the destroyed, lost or stolen Rights Certificate shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other Rights duly issued hereunder.

2.8 Persons Deemed Owners

The Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent may deem and treat the person in whose name a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby for all purposes whatsoever. As used in this Agreement, unless the context otherwise requires, the term "holder" of any Rights shall mean the registered holder of such Rights (or, prior to the Separation Time, the associated Common Shares).

2.9 Delivery and Cancellation of Certificates

All Rights Certificates surrendered upon exercise or for redemption, for registration of transfer or exchange shall, if surrendered to any Person other than the Rights Agent, be delivered to the Rights Agent and, in any case, shall be promptly cancelled by the Rights Agent. The Corporation may at any time deliver to the Rights Agent for cancellation any Rights Certificates previously countersigned and delivered hereunder which the Corporation may have acquired in any manner whatsoever, and all Rights Certificates so delivered shall be promptly cancelled by the Rights Agent. No Rights Certificate shall be countersigned in lieu of or in exchange for any Rights Certificates cancelled as provided in this Section 2.9 except as expressly permitted by this Agreement. The Rights Agent shall, subject to applicable law, destroy all cancelled Rights Certificates and deliver a certificate of destruction to the Corporation.

2.10 Agreement of Rights Holders

Every holder of Rights, by accepting such Rights, consents and agrees with the Corporation and the Rights Agent and with every other holder of Rights:

- (a) to be bound by and subject to the provisions of this Agreement, as amended from time to time in accordance with the terms hereof, in respect of all Rights held;
- (b) that, prior to the Separation Time, each Right will be transferable only together with, and will be transferred by a transfer of, the associated Common Share;
- (c) that, after the Separation Time, the Rights will be transferable only on the Rights Register as provided herein;
- (d) that, prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) for registration of transfer, the Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent may deem and treat the Person in whose name the Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of

the Rights evidenced thereby (notwithstanding any notations of ownership or writing on such Rights Certificate or the associated Common Share certificate made by anyone other than the Corporation or the Rights Agent) for all purposes whatsoever, and neither the Corporation nor the Rights Agent shall be affected by any notice to the contrary;

- (e) that such holder of Rights has waived its right to receive any fractional Rights or any fractional Common Shares or other securities upon exercise of a Right (except as provided herein); and
- (f) that, without the approval of any holder of Rights or Voting Shares and upon the sole authority of the Board of Directors acting in good faith, this Agreement may be supplemented or amended from time to time as provided herein.

ARTICLE 3 ADJUSTMENTS TO THE RIGHTS

3.1 Flip-in Event

3.1.1 Subject to Section 3.1.2 and Section 5.1, in the event that prior to the Expiration Time a Flip-in Event occurs, each Right shall thereafter constitute the right to purchase from the Corporation, upon exercise thereof in accordance with the terms hereof, that number of Common Shares as have an aggregate Market Price on the date of the consummation or occurrence of such Flip-in Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (such right to be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 if, after such date of consummation or occurrence, an event of a type analogous to any of the events described in Section 2.3 shall have occurred with respect to such Common Shares).

3.1.2 Notwithstanding anything in this Agreement to the contrary, upon the occurrence of any Flip-in Event, any Rights that are or were Beneficially Owned on or after the earlier of the Separation Time and the Stock Acquisition Date, or which may thereafter be Beneficially Owned, by:

- (a) an Acquiring Person, any Affiliate or Associate of an Acquiring Person, any other Person acting jointly or in concert with an Acquiring Person or any Associate or Affiliate of such other Person; or
- (b) a transferee or other successor in title, direct or indirect, of Rights held by an Acquiring Person, any Affiliate or Associate of an Acquiring Person, any other Person acting jointly or in concert with an Acquiring Person or any Associate or Affiliate of such other Person, whether or not for consideration, in a transfer of Rights occurring subsequent to the Acquiring Person becoming such,

shall become null and void without any further action and any holder of such Rights (including any transferee of, or other successor entitled to, such Rights, whether directly or indirectly) shall thereafter have no right to exercise such Rights under any provisions of this Agreement and, further, shall thereafter not have any rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. The holder of any Rights represented by a Rights Certificate which is submitted to the Rights Agent upon exercise or for registration of transfer or exchange which does not contain the necessary certifications set forth in the Rights Certificate establishing that such Rights are not void under this Section 3.1.2 shall be deemed to be an Acquiring Person for the purposes of this Section 3.1.2 and such Rights shall become null and void.

3.1.3 Any Rights Certificate that represents Rights Beneficially Owned by a Person described in either of Section 3.1.2(a) or 3.1.2(b) or transferred to any Nominee of any such Person, and any Rights Certificate issued upon transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, shall contain or will be deemed to contain the following legend:

"The Rights represented by this Rights Certificate were issued to a Person who was an Acquiring Person or an Affiliate or an Associate of an Acquiring Person (as such terms are defined in the Rights Agreement) or to a Person acting jointly or in concert with any of them. This Rights Certificate and the Rights represented hereby shall be void in the circumstances specified in Section 3.1.2 of the Rights Agreement."

The Rights Agent shall not be under any responsibility to ascertain the existence of facts that would require the imposition of such legend but shall be required to impose such legend only if instructed to do so by the Corporation or if a holder fails to certify upon transfer or exchange in the space provided to do so.

3.1.4 After the Separation Time, the Corporation shall do all such acts and things necessary and within its power to ensure compliance with the provisions of this Section 3.1 including, without limitation, all such acts and things as may be required to satisfy the requirements of the OBCA, the Securities Act (Ontario) and the securities laws or comparable legislation in each of the provinces of Canada and in any other jurisdiction where the Corporation is subject to such laws and the rules of the stock exchanges where the Common Shares are listed at such time in respect of the issue of Common Shares upon the exercise of Rights in accordance with this Agreement.

3.2 Fiduciary Duties of the Board of Directors

For clarification it is understood that nothing contained in this Article 3 shall be considered to affect the obligations of the Board of Directors to exercise its fiduciary duties. Without limiting the generality of the foregoing, nothing contained herein shall be construed to suggest or imply that the Board of Directors shall not be entitled to recommend that holders of the Voting Shares reject or accept any Take-over Bid or take any other action including, without limitation, the commencement, prosecution, defence or settlement of any litigation and the submission of additional or alternative Take-over Bids or other proposals to the shareholders of the Corporation with respect to any Take-over Bid or otherwise that the Board of Directors believes is necessary or appropriate in the exercise of its fiduciary duties.

ARTICLE 4 THE RIGHTS AGENT

4.1 General

4.1.1 The Corporation hereby appoints the Rights Agent to act as agent for the Corporation and the holders of the Rights in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Corporation may from time to time appoint such co-rights agents ("Co-Rights Agents") as it may deem necessary or desirable. In the event the Corporation appoints one or more Co-Rights Agents, the respective duties of the Rights Agent and Co-Rights Agents shall be as the Corporation may determine with the approval of the Rights Agent and the Co-Rights Agent. The Corporation agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and other disbursements reasonably incurred in the administration and execution of this Agreement and the exercise

and performance of its duties hereunder, including the reasonable fees and disbursements of counsel and other experts consulted by the Rights Agent pursuant to Section 4.3(a). The Corporation also agrees to indemnify the Rights Agent and its directors, officers, employees, and agents for, and to hold them harmless against any loss, liability, cost, claim, action suit, damage or expense, incurred without negligence, bad faith or wilful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability, which right to indemnification will survive the termination of this Agreement.

4.1.2 The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any certificate for Common Shares, Rights Certificate, certificate for other securities of the Corporation, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.

4.1.3 The Corporation shall inform the Rights Agent in a reasonably timely manner of events which may materially affect the administration of this Agreement by the Rights Agent and, at any time upon request, shall provide to the Rights Agent an incumbency certificate certifying the then current officers of the Corporation.

4.2 Merger, Amalgamation, Consolidation or Change of Name of Rights Agent

4.2.1 Any corporation into which the Rights Agent or any successor Rights Agent may be merged or amalgamated or with which it may be consolidated, or any corporation resulting from any merger, amalgamation or consolidation to which the Rights Agent or any successor Rights Agent is a party, or any corporation succeeding to the shareholder services business of the Rights Agent or any successor Rights Agent, will be the successor to the Rights Agent under this Agreement without the execution or filing of any document or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 4.4. In case at the time such successor Rights Agent succeeds to the agency created by this Agreement any of the Rights Certificates have been countersigned but not delivered any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights Certificates have not been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Rights Certificates will have the full force provided in the Rights Certificates and in this Agreement.

4.2.2 In case at any time the name of the Rights Agent is changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

4.3 Duties of Rights Agent

The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Corporation and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

- (a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Corporation) and the opinion of such counsel will be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion; the Rights Agent may also, with the approval of the Corporation (such approval not to be unreasonably withheld), consult with such other experts as the Rights Agent shall consider necessary or appropriate to properly carry out the duties and obligations imposed under this Agreement and the Rights Agent shall be entitled to rely in good faith on the advice of any such expert.
- (b) Whenever in the performance of its duties under this Agreement the Rights Agent deems it necessary or desirable that any fact or matter be proved or established by the Corporation prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by a person believed by the Rights Agent to be the Chief Executive Officer, Chief Financial Officer, Secretary or Assistant Secretary of the Corporation and delivered to the Rights Agent; and such certificate will be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.
- (c) The Rights Agent will be liable hereunder only for its own negligence, bad faith or wilful misconduct.
- (d) The Rights Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the certificates for Common Shares, or the Rights Certificates (except its countersignature thereof) or be required to verify the same, and all such statements and recitals are and will be deemed to have been made by the Corporation only.
- (e) The Rights Agent will not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due authorization, execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any Common Share certificate, or Rights Certificate (except its countersignature thereof); nor will it be responsible for any breach by the Corporation of any covenant or condition contained in this Agreement or in any Rights Certificate; nor will it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 3.1.2 or any adjustment required under the provisions of Section 2.3 or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights after receipt of the certificate contemplated by Section 2.3 describing any such adjustment or any written notice from the Corporation or any holder that a Person has become an Acquiring Person); nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization of any Common Shares to be issued pursuant to this Agreement or any Rights or as to any Common Shares, when issued, being duly and validly authorized, issued and delivered as fully paid and non-assessable.
- (f) The Corporation agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

- (g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any individual believed by the Rights Agent to be the Chief Executive Officer, Chief Financial Officer, Secretary or Assistant Secretary of the Corporation, and to apply to such individuals for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such individual. It is understood that instructions to the Rights Agent shall, except where circumstances make it impractical or the Rights Agent otherwise agrees, be given in writing and, where not in writing, such instructions shall be confirmed in writing as soon as reasonably practicable after the giving of such instructions.
- (h) The Rights Agent and any shareholder or director, officer or employee of the Rights Agent may buy, sell or deal in Common Shares, Rights or other securities of the Corporation or become pecuniarily interested in any transaction in which the Corporation may be interested, or contract with or lend money to the Corporation or otherwise act as fully and freely as though it were not the Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Corporation or for any other legal entity.
- (i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent will not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Corporation resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

4.4 Change of Rights Agent

The Rights Agent may resign and be discharged from its duties under this Agreement by giving 60 days prior written notice (or such lesser notice as is acceptable to the Corporation) to the Corporation, to each transfer agent of Common Shares and to the holders of the Rights, all in accordance with Section 5.9 and at the expense of the Corporation. The Corporation may remove the Rights Agent by giving 30 days prior written notice to the Rights Agent, to each transfer agent of the Common Shares and to the holders of the Rights in accordance with Section 5.9. If the Rights Agent should resign or be removed or otherwise become incapable of acting, the Corporation will appoint a successor to the Rights Agent. If the Corporation fails to make such appointment within a period of 30 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of any Rights (which holder shall, with such notice, submit such holder's Rights Certificate for inspection of the Corporation), then the holder of any Rights may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Corporation or by such a court, must be a corporation incorporated under the laws of Canada or a province thereof and authorized to carry on the business of a trust company in the Province of Ontario. After appointment, the successor Rights Agent will be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Corporation will file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares and mail a notice thereof in writing to the holders of the Rights in accordance with Section 5.9. Failure to give any notice provided for in this Section 4.4, however, or any defect therein,

shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

ARTICLE 5 MISCELLANEOUS

5.1 Redemption, Waiver, Extension and Termination

5.1.1 Subject to the prior consent of the holders of Voting Shares or Rights obtained as set forth in Section 5.4.1 or 5.4.2, as applicable, the Board of Directors acting in good faith may, at any time prior to the later of the Stock Acquisition Date and the Separation Time, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.00001 per Right, appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 if an event of the type analogous to any of the events described in Section 2.3 shall have occurred (such redemption price being herein referred to as the "Redemption Price").

5.1.2 The Board of Directors shall waive the application of Section 3.1 in respect of the occurrence of any Flip-in Event if the Board of Directors has determined in good faith, following the Stock Acquisition Date and prior to the Separation Time, that a Person became an Acquiring Person by inadvertence and without any intention to become, or knowledge that it would become, an Acquiring Person under this Agreement and, in the event that such a waiver is granted by the Board of Directors, such Stock Acquisition Date shall be deemed not to have occurred. Any such waiver pursuant to this Section 5.1.2 may only be given on the condition that such Person, within 14 days after the foregoing determination by the Board of Directors or such later date as the Board of Directors may determine (the "Disposition Date"), has reduced its Beneficial Ownership of Voting Shares such that the Person is no longer an Acquiring Person. If the Person remains an Acquiring Person at the Close of Business on the Disposition Date, then the Disposition Date shall be deemed to be the date of occurrence of a further Stock Acquisition Date and Section shall apply thereto.

5.1.3 In the event that a Person acquires Voting Shares pursuant to a Permitted Bid or an Exempt Acquisition referred to in Section 5.1.4, then the Board of Directors shall, immediately upon the consummation of such acquisition and without further formality, be deemed to have elected to redeem the Rights at the Redemption Price.

5.1.4 The Board of Directors acting in good faith may, prior to the occurrence of the relevant Flip-in Event, upon prior written notice delivered to the Rights Agent, determine to waive the application of Section 3.1 to a Flip-in Event that may occur by reason of a Take-over Bid made by means of a take-over bid circular to all holders of record of Voting Shares; provided that, if the Board of Directors waives the application of Section 3.1 to a particular Take-over Bid pursuant to this Section 5.1.4, then the Board of Directors shall be deemed to have waived the application of Section 3.1 to any other Take-over Bid made by means of a take-over bid circular to all holders of record of Voting Shares prior to the expiry of any Take-over Bid in respect of which a waiver is, or is deemed to have been, granted under this Section 5.1.4.

5.1.5 The Board of Directors may, prior to the Close of Business on the eighth Business Day following a Stock Acquisition Date or such later Business Day as it may from time to time determine, upon prior written notice delivered to the Rights Agent, waive the application of Section 3.1 to the related Flip-in Event; provided that the Acquiring Person has reduced its Beneficial Ownership of Voting Shares (or has entered into a contractual arrangement with the Corporation, acceptable to the Board of Directors, to do so within 10 days of the date on which such contractual arrangement is entered into or such later date as the Board of Directors may determine) such that, at the time the waiver becomes effective

pursuant to this Section 5.1.5, such Person is no longer an Acquiring Person. In the event of such a waiver becoming effective prior to the Separation Time, for the purposes of this Agreement, such Flip-in Event shall be deemed not to have occurred.

5.1.6 Where a Take-over Bid that is not a Permitted Bid Acquisition is withdrawn or otherwise terminated after the Separation Time has occurred and prior to the occurrence of a Flip-in Event, or if the Board of Directors grants a waiver under Section 5.1.5 after the Separation Time, then the Board of Directors may elect to redeem all the outstanding Rights at the Redemption Price. Upon the Rights being redeemed pursuant to this Section 5.1.6, all of the provisions of this Agreement shall continue to apply as if the Separation Time had not occurred and Rights Certificates representing the number of Rights held by each holder of record of Common Shares at the Separation Time had not been mailed to each such holder and for all purposes of this Agreement the Separation Time shall be deemed not to have occurred and the Corporation shall be deemed to have issued replacement Rights to the holders of its then outstanding Common Shares.

5.1.7 If the Board of Directors is deemed under Section 5.1.3 to have elected or elects under Section 5.1.1 or 5.1.6 to redeem the Rights, then the right to exercise the Rights will thereupon, without further action and without notice, terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price.

5.1.8 Within 10 days after the Board of Directors is deemed under Section 5.1.3 to have elected or elects under Section 5.1.1 or Section 5.1.6 to redeem the Rights, the Corporation shall give notice of redemption to the holders of the then outstanding Rights by mailing such notice to each such holder at his last address as it appears upon the Rights Register or, prior to the Separation Time, on the registry books of the transfer agent for the Voting Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made, and will state that no payment will be made to holders entitled to less than \$10, in accordance with Section 5.1.9.

5.1.9 The Corporation shall not be obligated to make a payment of the Redemption Price to any holder of Rights unless such holder is entitled to receive at least \$10 in respect of all of the Rights held by such holder.

5.2 Expiration

No Person will have any rights pursuant to this Agreement or in respect of any Right after the Expiration Time, except in respect of any right to receive cash, securities or other property which has accrued at the Expiration Time and except as specified in Sections 4.1.1 and 4.1.2.

5.3 Issue of New Rights Certificates

Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Corporation may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the number or kind or class of shares purchasable upon exercise of Rights made in accordance with the provisions of this Agreement.

5.4 Supplements and Amendments

5.4.1 Subject to Sections 5.4.2 and 5.4.3, the Corporation may from time to time amend, vary or delete any of the provisions of this Agreement and the Rights provided that no amendment, variation or deletion made on or after the first shareholders meeting after the date hereof shall be made without the

prior consent of the shareholders of the Corporation or holders of the Rights, given as provided in Section 5.4.2, except that amendments, variations or deletions made for any of the following purposes shall not require such prior approval but shall be subject to subsequent ratification in accordance with Section 5.4.2:

- (a) in order to make such changes as are necessary in order to maintain the validity of this Agreement and the Rights as a result of any change in any applicable legislation, regulations or rules; or
- (b) in order to make such changes as are necessary in order to cure any clerical or typographical error.

5.4.2 Any amendment, variation or deletion made by the Board of Directors pursuant to Section 5.4.1 shall if made:

- (a) prior to the Separation Time, be submitted to the shareholders of the Corporation at the next meeting of shareholders and the shareholders may, by resolution passed by a majority of the votes cast by Independent Shareholders who vote in respect of such amendment, variation or deletion, confirm or reject such amendment or supplement; or
- (b) after the Separation Time, be submitted to the holders of Rights at a meeting to be held on a date not later than the date of the next meeting of shareholders of the Corporation and the holders of Rights may, by resolution passed by a majority of the votes cast by the holders of Rights which have not become void pursuant to Section 3.1.2 who vote in respect of such amendment, variation or deletion, confirm or reject such amendment or supplement.

Any amendment, variation or deletion pursuant to Section 5.4.1 shall be effective from the later of the date of the consent of the holders of Voting Shares or Rights, as applicable, adopting such amendment, variation or deletion and the date of approval thereof by the Exchange (except in the case of another amendment, variation or deletion referred to in Section 5.4.1(a) or 5.4.1(b), which shall be effective from the later of the date of the resolution of the Board of Directors adopting such amendment, variation or deletion and the date of approval thereof by the Exchange and shall continue in effect until it ceases to be effective (as in this Section 5.4.2 described) and, where such amendment, variation or deletion is confirmed, it shall continue in effect in the form so confirmed). If an amendment, variation or deletion pursuant to Section 5.4.1(a) or 5.4.1(b) is rejected by the shareholders or the holders of Rights or is not submitted to the shareholders or holders of Rights as required, then such amendment, variation or deletion shall cease to be effective from and after the termination of the meeting at which it was rejected or to which it should have been but was not submitted or from and after the date of the meeting of holders of Rights that should have been but was not held, and no subsequent resolution of the Board of Directors to amend, vary or delete any provision of this Agreement to substantially the same effect shall be effective until confirmed by the shareholders or holders of Rights, as the case may be.

5.4.3 For greater certainty, neither the exercise by the Board of Directors of any power or discretion conferred on it hereunder nor the making by the Board of Directors of any determination or the granting of any waiver it is permitted to make or give hereunder shall constitute an amendment, variation or deletion of the provisions of this Agreement or the Rights, for purposes of this Section 5.4 or otherwise.

5.4.4 The approval, confirmation or consent of the holders of Rights with respect to any matter arising hereunder shall be deemed to have been given if the action requiring such approval, confirmation

or consent is authorized by the affirmative votes of the holders of Rights present or represented at and entitled to be voted at a meeting of the holders of Rights and representing a majority of the votes cast in respect thereof. For the purposes hereof, each outstanding Right (other than Rights which are void pursuant to the provisions hereof or which, prior to the Separation Time, are held otherwise than by Independent Shareholders) shall be entitled to one vote, and the procedures for the calling, holding and conduct of the meeting shall be those, as nearly as may be, which are provided in the Corporation's bylaws and the OBCA with respect to meetings of shareholders of the Corporation.

5.5 Fractional Rights and Fractional Shares

5.5.1 The Corporation shall not be required to issue fractions of Rights or to distribute Rights Certificates which evidence fractional Rights. After the Separation Time there shall be paid, in lieu of such fractional Rights, to the registered holders of the Rights Certificates with regard to which fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the Market Price of a whole Right.

5.5.2 The Corporation shall not be required to issue fractional Common Shares upon exercise of the Rights or to distribute certificates that evidence fractional Common Shares. In lieu of issuing fractional Common Shares, the Corporation shall pay to the registered holder of Rights Certificates at the time such Rights are exercised as herein provided, an amount in cash equal to the same fraction of the Market Price of one Common Share at the date of such exercise.

5.6 Rights of Action

Subject to the terms of this Agreement, rights of action in respect of this Agreement, other than rights of action vested solely in the Rights Agent, are vested in the respective holders of the Rights; and any holder of any Rights, without the consent of the Rights Agent or of the holder of any other Rights may, on such holder's own behalf and for such holder's own benefit and the benefit of other holders of Rights, enforce, and may institute and maintain any suit, action or proceeding against the Corporation to enforce, or otherwise act in respect of, such holder's right to exercise such holder's Rights in the manner provided in this Agreement and in such holder's Rights Certificate. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of, the obligations of any Person subject to this Agreement.

5.7 Holder of Rights Not Deemed a Shareholder

No holder, as such, of any Rights shall be entitled to vote, receive dividends or be deemed for any purpose the holder of Common Shares or any other securities which may at any time be issuable on the exercise of Rights, nor shall anything contained herein or in any Rights Certificate be construed to confer upon the holder of any Rights, as such, any of the rights of a shareholder of the Corporation or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in Section 5.8) or to receive dividends or subscription rights or otherwise, until such Rights, shall have been exercised in accordance with the provisions hereof.

5.8 Notice of Proposed Actions

In case the Corporation proposes after the Separation Time and prior to the Expiration Time to effect the liquidation, dissolution or winding up of the Corporation or the sale of all or substantially all of the Corporation's assets, then, in each such case, the Corporation shall give to each holder of a Right, in accordance with Section 5.9, a notice of such proposed action, which shall specify the date on which such liquidation, dissolution, or winding up is to take place, and such notice shall be so given at least 20 Business Days prior to the date of the taking of such proposed action by the Corporation.

5.9 Notices

Notices or demands authorized or required by this Agreement to be given or made to or by the Rights Agent, the holder of any Rights or the Corporation will be sufficiently given or made and shall be deemed to be received if delivered or sent by first-class mail, postage prepaid, or by facsimile machine or other means of printed telecommunication, charges prepaid and confirmed in writing by mail or delivery, addressed (until another address is filed in writing with the Rights Agent or the Corporation, as applicable), as follows:

- (a) if to the Corporation:

CGX Energy Inc.
Suite 1010
130 Adelaide Street West
Toronto, Ontario
M5H 3P5

Attention: President
Facsimile: (416) 364-5400

- (b) if to the Rights Agent:

Equity Financial Trust Company
Suite 400
200 University Avenue
Toronto, Ontario
M5H 4H1

Attention: Manager, Corporate Trust
Facsimile: (416) 361-0470

- (c) if to the holder of any Rights, to the address of such holder as it appears on the Rights Register or, prior to the Separation Time, on the registry books of the Corporation for the Common Shares.

Any notice which is mailed or sent or delivered in the manner herein provided for shall be deemed given and received whether or not the holder receives the notice.

5.10 Costs of Enforcement

The Corporation agrees that if the Corporation or any other Person (the securities of which are purchasable upon exercise of Rights) fails to fulfil any of its obligations pursuant to this Agreement, then the Corporation or such Person will reimburse the holder of any Rights for the costs and expenses (including legal fees) incurred by such holder in actions to enforce his rights pursuant to any Rights or this Agreement.

5.11 Regulatory Approvals

Any obligation of the Corporation or action or event contemplated by this Agreement, shall be subject to applicable law and to the receipt of any requisite approval or consent from any governmental or regulatory authority. Without limiting the generality of the foregoing, any issue or delivery of debt or equity securities (other than non-convertible debt security) of the Corporation upon the exercise of Rights and any amendment to this Agreement shall be subject to the applicable prior consent of the stock exchanges on which the Corporation is from time to time listed.

5.12 Declaration as to Non-Canadian and Non-United States Holders

If, upon the advice of outside counsel, any action or event contemplated by this Agreement would require compliance with the securities laws or comparable legislation of a jurisdiction outside of Canada and the United States of America, the Board of Directors acting in good faith may take such actions as it may deem appropriate to ensure that such compliance is not required, including without limitation establishing procedures for the issue to a Canadian resident Fiduciary of Rights or securities issuable on exercise of Rights, the holding thereof in trust for the Persons entitled thereto (but reserving to the Fiduciary or to the Corporation, as the Corporation may determine, absolute discretion with respect thereto) and the sale thereof and remittance of the proceeds of such sale, if any, to the Persons entitled thereto. In no event shall the Corporation or the Rights Agent be required to issue or deliver Rights or securities issuable on exercise of Rights to Persons who are citizens, residents or nationals of any jurisdiction other than Canada and any province or territory thereof and the United States of America and any state thereof in which such issue or delivery would be unlawful without registration of the relevant Persons or securities for such purposes.

5.13 Successors

All the covenants and provisions of this Agreement by or for the benefit of the Corporation or the Rights Agent shall bind and enure to the benefit of their respective successors and assigns hereunder.

5.14 Benefits of this Agreement

Nothing in this Agreement shall be construed to give to any Person other than the Corporation, the Rights Agent and the holders of the Rights any legal or equitable right, remedy or claim under this Agreement; this Agreement shall be for the sole and exclusive benefit of the Corporation, the Rights Agent and the holders of the Rights.

5.15 Shareholder Review

At or prior to the first annual meeting of shareholders of the Corporation following the third anniversary of the date of this Agreement, provided that a Flip-in Event has not occurred prior to such time, the Board of Directors shall submit a resolution ratifying the continued existence of this

Agreement to the Independent Shareholders for their consideration and, if thought advisable, approval. If a majority of the votes cast by Independent Shareholders who vote in respect of such resolution are not voted in favour of the continued existence of this Agreement, then immediately upon the confirmation by the chairman of such shareholders' meeting of the result of the vote on such resolution and without further formality, this Agreement and any outstanding Rights shall be of no further force and effect.

5.16 Determinations and Actions by the Board of Directors

All actions, calculations, interpretations and determinations (including all omissions with respect to the foregoing) which are done or made by the Board of Directors for the purposes hereof, in good faith:

- (a) may be relied upon by the Rights Agent; and
- (b) shall not subject the Board of Directors to any liability to the holders of the Rights or to any other parties.

5.17 Governing Law

This Agreement and the Rights issued hereunder shall be deemed to be a contract made under the laws of the Province of Ontario and for all purposes will be governed by and construed in accordance with the laws of such province applicable to contracts to be made and performed entirely within such province.

5.18 Language

Les parties aux présentes ont exigé que la présente convention ainsi que tous les documents et avis qui s'y rattachent ou qui en coulent soient rédigés en langue anglaise. The parties hereto have required that this Agreement and all documents and notices related thereto or resulting therefrom be drawn up in English.

5.19 Counterparts

This Agreement may be executed in any number of counterparts and each of such counterparts will for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

5.20 Severability

If any term or provision hereof or the application thereof to any circumstance is, in any jurisdiction and to any extent, invalid or unenforceable, such term or provision will be ineffective only to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions hereof or the application of such term or provision to circumstances other than those as to which it is held invalid or unenforceable.

5.21 Effective Date

This Agreement is effective as of and from May 24, 2011. If the Rights Plan is not confirmed by resolution passed by a majority of the votes cast by Independent Shareholders who vote in respect of such Rights Plan at a meeting to be held not later than June 30, 2011, then this Agreement and any outstanding Rights shall be of no further force and effect.

5.22 Time of the Essence

Time shall be of the essence hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed effective as of the date first above written.

CGX ENERGY INC.

By: _____

EQUITY FINANCIAL TRUST COMPANY

By: _____

By: _____

SCHEDULE A

to a Shareholder Rights Plan Agreement made as of May 24, 2011
between CGX Energy Inc. and Equity Financial Trust Company

Certificate No. [] [] Rights

THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE CORPORATION, ON THE TERMS SET FORTH IN THE SHAREHOLDER RIGHTS PLAN AGREEMENT. UNDER CERTAIN CIRCUMSTANCES (SPECIFIED IN SECTION 3.1.2 OF SUCH AGREEMENT), RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON, CERTAIN RELATED PARTIES OF AN ACQUIRING PERSON OR A TRANSFEREE OF AN ACQUIRING PERSON OR ANY SUCH RELATED PARTIES WILL BECOME VOID WITHOUT FURTHER ACTION.

RIGHTS CERTIFICATE

This certifies that [] is the registered holder of the number of Rights set forth above, each of which entitles the registered holder thereof, subject to the terms, provisions and conditions of the Shareholder Rights Plan Agreement made as of May 24, 2011 (the "Rights Agreement") between CGX Energy Inc., a corporation existing under the laws of the Province of Ontario, (the "Corporation") and Equity Financial Trust Company, a trust company formed under the laws of Canada, as rights agent (the "Rights Agent"), which term shall include any successor Rights Agent under the Rights Agreement), to purchase from the Corporation, at any time after the Separation Time and prior to the Expiration Time (as such terms are defined in the Rights Agreement), one fully paid common share of the Corporation (a "Common Share") at the Exercise Price referred to below, upon presentation and surrender of this Rights Certificate, together with the Form of Election to Exercise appropriately completed and duly executed, to the Rights Agent at its principal office in Toronto, Ontario. Until adjustment thereof in certain events as provided in the Rights Agreement, the Exercise Price shall be US\$10.00 per Right (payable in cash, certified cheque or money order payable to the order of the Corporation).

The number of Common Shares which may be purchased for the Exercise Price is subject to adjustment as set forth in the Rights Agreement.

This Rights Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Rights Agent, the Corporation and the holders of the Rights Certificates. Copies of the Rights Agreement are on file at the registered office of the Corporation and are available upon written request.

This Rights Certificate, with or without other Rights Certificates, upon surrender at the principal office of the Rights Agent in Toronto, Ontario may be exchanged for another Rights Certificate or Rights Certificates of like tenor evidencing an aggregate number of Rights equal to the aggregate number of Rights evidenced by the Rights Certificate or Rights Certificates surrendered. If this Rights Certificate shall be exercised in part, the registered holder shall be entitled to receive, upon surrender hereof, another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

In certain circumstances described in the Rights Agreement, each Right evidenced hereby may be adjusted so as to entitle the registered holder thereof to purchase or receive securities or shares in the capital of the Corporation other than Common Shares or more or less than one Common Share (or a combination thereof), all as provided in the Rights Agreement. The number of Common Shares which may be purchased for the Exercise Price is subject to adjustment as set forth in the Rights Agreement.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate may be redeemed by the Corporation at a redemption price of \$0.00001 per Right subject to adjustment in certain events.

No fractional Common Shares will be issued upon the exercise of any Right or Rights evidenced hereby, but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Rights Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of Common Shares or any other securities which may at any time be issuable upon the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a shareholder of the Corporation or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of any meeting or other actions affecting shareholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights or otherwise, until the Rights evidenced by this Rights Certificate shall have been exercised as provided in the Rights Agreement.

This Rights Certificate shall not be valid for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Corporation.

Date: [_____]

CGX ENERGY INC.

By: _____

EQUITY FINANCIAL TRUST COMPANY

By: _____

**FORM OF ELECTION TO EXERCISE
CGX ENERGY INC.**

The undersigned hereby irrevocably elects to exercise [_____] whole Rights represented by this Rights Certificate to purchase the Common Shares issuable upon the exercise of such Rights and requests that certificates for such Common Shares be issued in the name of and delivered to:

Rights Certificate No. [_____]

Name

Address

City and Province

Social Insurance No. or other
taxpayer identification numbers

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights shall be registered in the name of and delivered to:

Name

Address

City and Province

Social Insurance No. or other
taxpayer identification numbers

Date: _____

Signature

Written Signature Guaranteed

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever)

Signature must be guaranteed by a Canadian chartered bank or trust company, a member of a recognized stock exchange in Canada or a member of the Securities Transfer Association Medallion (STAMP) Program.

(To be completed by the holder if true)

The undersigned hereby represents, for the benefit of the Corporation and all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or by an Affiliate or Associate of an Acquiring Person, any other Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of any such other Person (as such terms are defined in the Rights Agreement).

Signature

In the event that the certification set forth above in the Form of Election to Exercise is not completed, the Corporation shall deem the Beneficial Owner of the Rights represented by this Rights Certificate to be an Acquiring Person (as defined in the Rights Agreement) and, accordingly, such Rights shall be null and void.

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

(Please print name and address of transferee)

the Rights represented by this Rights Certificate, together with all right, title and interest therein.

Date: _____

Signature

Written Signature Guaranteed

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever)

Signature must be guaranteed by a Canadian chartered bank or trust company, a member of a recognized stock exchange in Canada or a member of the Securities Transfer Association Medallion (STAMP) Program.

(To be completed by the assignor if true)

The undersigned hereby represents, for the benefit of the Corporation and all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not and, to the knowledge of the undersigned have never been, Beneficially Owned by an Acquiring Person or by an Affiliate or Associate of an Acquiring Person, any other Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of any such other Person (as such terms are defined in the Rights Agreement).

Signature

(Please print name below signature)

NOTICE

In the event that the certification set forth above in the Form of Assignment is not completed, the Corporation shall deem the Beneficial Owner of the Rights represented by this Rights Certificate to be an Acquiring Person (as defined in the Rights Agreement) and, accordingly, such Rights shall be null and void.

AMENDMENT TO SHAREHOLDER RIGHTS PLAN AGREEMENT

THIS AMENDMENT TO THE SHAREHOLDER RIGHTS PLAN AGREEMENT is dated as of the 9 day of July, 2012.

B E T W E E N:

CGX ENERGY INC.,

a corporation existing under the laws of the Province of Ontario (the "**Corporation**"),

- and -

EQUITY FINANCIAL TRUST COMPANY,

a corporation incorporated under the laws of Canada (the "**Rights Agent**").

WHEREAS the Corporation and the Rights Agent entered into a shareholder rights plan agreement dated as of May 24, 2011 (the "**Rights Plan Agreement**");

AND WHEREAS the Corporation and Pacific Rubiales Energy Corp. ("**PRE**") entered into a subscription agreement dated as of May 27, 2012 pursuant to which PRE subscribed for 85,714,285 units of the Corporation (the "**Units**"), each unit being comprised of one common share (each a "**Common Share**") and one-half of one common share purchase warrant (each whole warrant, a "**Warrant**") of the Corporation;

AND WHEREAS PRE holds 58,720,000 common shares of the Corporation which were acquired by PRE through a bought deal financing that closed in October 2011;

AND WHEREAS the acquisition by PRE of the Common Shares and the common shares issuable upon the exercise of the Warrants would cause PRE to be an "Acquiring Person" under the Rights Plan Agreement and thus trigger certain dilutive effects;

AND WHEREAS the disinterested shareholders of the Corporation have authorized the Corporation to make such amendments to the Rights Plan Agreement as are necessary to ensure that the Private Placement can be completed without triggering the dilutive effects of the Rights Plan Agreement;

NOW THEREFORE, in consideration of the foregoing premises and the respective covenants and agreements set forth herein, the parties hereby agree as follows:

ARTICLE 1

AMENDMENT

1.1 **Definition of Acquiring Person**

The Rights Plan Agreement is amended by adding the following as a new clause after clause L1(a)(ii) in the definition of "Acquiring Person":

"(iii) Pacific Rubiales Energy Corp. ("PRE") in connection with its acquisition of Beneficial Ownership of (A) 85,714,285 Voting Shares pursuant to a subscription agreement dated as of May 27, 2012 between PRE and the Corporation (the "Subscription Agreement") and (B) up to 42,857,142 Voting Shares issuable upon the exercise of common share purchase warrants of the Corporation acquired by PRE pursuant to the Subscription Agreement; provided, however, that if PRE becomes the Beneficial Owner of any number of Voting Shares in addition to those Voting Shares it already holds pursuant to the 2011 bought deal financing referred to above (otherwise than pursuant to subclauses (A) or (B) above, the exercise of its participation rights pursuant to section 8 of the Subscription Agreement, a Voting Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition, a Pro Rata Acquisition or a Convertible Security Acquisition or any combination thereof), then, as of the date that PRE becomes a Beneficial Owner of such additional Voting Shares, it shall become an "Acquiring Person";"

and re-numbering subsequent paragraphs, and all references thereto, as appropriate to reflect such addition.

ARTICLE 2

MISCELLANEOUS

2.1 **Rights Plan Agreement**

Except as amended pursuant to this Agreement, the Rights Plan Agreement remains in full force and effect, unamended.

2.2 **Governing Law**

This Agreement shall be deemed to be a contract made under the laws of the Province of Ontario and for all purposes shall be governed by and construed in accordance with the laws of such province applicable to contracts to be made and performed entirely within such province.

2.3 **Language**

Les parties aux présentes ont exigées que la présente convention ainsi que tous les documents et avis qui s'y rattachent et/ou qui en découleront soient rédigés en langue anglaise.

The parties hereto have required that this Agreement and all documents and notices related thereto and/or resulting therefrom be drawn up in the English language.

2.4 Severability

If any term or provision hereof or the application thereof to any circumstance is, in any jurisdiction and to any extent, invalid or unenforceable, such term or provision will be ineffective only to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions hereof or the application of such term or provision to circumstances other than those as to which it is held invalid or unenforceable.

2.5 Successors

All the covenants and provisions of this Agreement by or for the benefit of the Corporation or the Rights Agent shall bind and enure to the benefit of their respective successors and assigns hereunder.

2.6 Execution in Counterparts

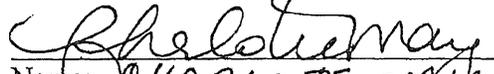
This Agreement may be executed in any number of counterparts; each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

CGX ENERGY INC.

By: 

Name: KES-11
Title: President & CEO



Name: CHARLOTTE MAY
Title: CORPORATE SECRETARY

**EQUITY FINANCIAL TRUST
COMPANY**

By: 

Name: CAROL MIKLOS
Title: SR. ADVISOR TRUST SERVICES



Name: SHELLEY MARTIN
Title: SENIOR TRUST OFFICER