

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States of America. Accordingly, the securities may not be offered, sold or delivered, directly or indirectly, in the United States of America (as such term is defined in Regulation S under the U.S. Securities Act) (the "United States" or "U.S.") except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Strategic Oil & Gas Ltd. at Suite 1100, 645 - 7th Avenue S.W., Calgary, Alberta T2P 4G8, Telephone (403) 767-9000 and are also available electronically at [www.sedar.com](http://www.sedar.com).

## Short Form Prospectus

New Issue

September 30, 2013



**\$12,017,500**

**12,650,000 Common Shares**

**\$17,000,000**

**15,454,545 Flow-Through Shares**

This short form prospectus qualifies the distribution (the "Offering") of 12,650,000 common shares ("Offered Common Shares") of Strategic Oil & Gas Ltd. (the "Corporation" or "Strategic") at a price of \$0.95 per Offered Common Share (the "Common Share Offering Price") and 15,454,545 common shares to be issued as flow-through shares ("Flow-Through Shares") within the meaning of the *Income Tax Act* (Canada) (the "Tax Act") at a price of \$1.10 per Flow-Through Share (the "Flow-Through Offering Price"). The head office of the Corporation is located at Suite 1100, 645 - 7th Avenue S.W., Calgary, Alberta, T2P 4G8 and its registered office is located at 3700, 400 - 3rd Avenue S.W., Calgary, Alberta, T2P 4H2.

The Corporation will covenant to incur, on or before December 31, 2014, and to renounce, effective on or before December 31, 2013, to each subscriber of Flow-Through Shares, Canadian exploration expense ("CEE") in an amount equal to the aggregate purchase price for the Flow-Through Shares paid by such subscriber. See "Details of the Offering" and "Certain Canadian Federal Income Tax Considerations".

The terms of the Offering were determined by negotiation between the Corporation and Raymond James Ltd. (the "Bookrunner") on its own behalf and on behalf of Macquarie Capital Markets Canada Ltd. (together with the Bookrunner, the "Lead Underwriters") and Dundee Securities Ltd., FirstEnergy Capital Corp., National Bank Financial Inc., Paradigm Capital Inc. and PI Financial Corp. (together with the Lead Underwriters, the "Underwriters").

	<u>Price to Public</u>	<u>Underwriters' Fee<sup>(1)</sup></u>	<u>Net Proceeds to the Corporation<sup>(1)(2)</sup></u>
Per Offered Common Share.....	\$0.95	\$0.0475	\$0.9025
Per Flow-Through Share.....	\$1.10	\$0.055	\$1.045
Total Offering .....	\$29,017,500	\$1,450,875	\$27,566,625

### Notes:

- (1) The Corporation has agreed to pay the Underwriters a cash commission of 5.0% of the aggregate gross proceeds of the sale of the Offered Common Shares and Flow-Through Shares. See "Plan of Distribution".
- (2) Before deducting expenses of the Offering, estimated to be \$220,000.
- (3) If the Over-Allotment Option (as defined herein) is exercised in full, the total Offering, Underwriters' fee and net proceeds to the Corporation (before deducting expenses of the Offering) will be \$30,820,125, \$1,541,006 and \$29,279,119, respectively. This short form prospectus also qualifies for distribution the grant of the Over-Allotment Option and the issuance of Over-Allotment Shares (as defined herein) pursuant to the exercise of the Over-Allotment Option. See "Plan of Distribution".

The outstanding common shares of the Corporation ("Common Shares") are listed on the TSX Venture Exchange ("TSXV") under the trading symbol "SOG". On September 16, 2013, the last complete trading day before the date of the

public announcement of the Offering, the closing price of the Common Shares on the TSXV was \$1.01 per Common Share. On September 27, 2013, the last complete trading day prior to the date hereof, the closing price of the Common Shares on the TSXV was \$0.95 per Common Share. The TSXV has conditionally approved the listing of the Offered Common Shares and Flow-Through Shares on the TSXV. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSXV.

The Corporation has also granted to the Underwriters an option (the "**Over-Allotment Option**") exercisable, in whole or in part and from time to time, at the sole discretion of the Underwriters, at any time up to 30 days following the closing of the Offering, to purchase an additional 1,897,500 Common Shares at the Common Share Offering Price (the "**Over-Allotment Shares**" and where the context requires, "**Offered Common Shares**" includes the Over-Allotment Shares) to cover over-allotments, if any, and for market stabilization purposes. A purchaser who acquires Common Shares forming part of the Underwriters' over-allocation position acquires those Common Shares under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option, or secondary market purchases.

<b>Underwriters' Position</b>	<b>Maximum size or number of securities held</b>	<b>Exercise period</b>	<b>Exercise price</b>
Over-Allotment Option	1,897,500 Common Shares	30 days following closing of the Offering	\$0.95 per Common Share

Concurrently with the announcement of this Offering, the Corporation entered into binding agreement (the "**Private Placement**") with GMT Capital Corp. ("**GMT**") whereby GMT agreed to purchase, on a non-brokered "private placement" basis, 20,195,000 Common Shares (the "**Placement Shares**") at the Common Share Offering Price for gross proceeds of the Corporation of \$19,185,250. The Private Placement closed on September 26, 2013, thus meeting a condition of the Offering. This short form prospectus does not qualify the distribution of the Placement Shares. The Placement Shares will be subject to a statutory hold period.

The Underwriters, as principals, conditionally offer the Offered Common Shares, subject to prior sale, if, as and when issued by the Corporation and delivered to and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement (as defined herein) referred to under "*Plan of Distribution*" and subject to approval of certain legal matters on behalf of the Corporation by Norton Rose Fulbright Canada LLP and on behalf of the Underwriters by Torys LLP. The Underwriters may effect transactions which stabilize or maintain the market price for the Offered Common Shares at levels other than those which otherwise might prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

**The Underwriters propose to offer the Offered Common Shares offered hereunder initially at the Common Share Offering price. After reasonable effort has been made to sell all of the Offered Common Shares at the Common Share Offering Price, the Underwriters may subsequently offer the Offered Common Shares at prices lower than that stated above. Notwithstanding any reduction by the Underwriters in the Common Share Offering Price, the Corporation will still receive a price of \$0.95 per Offered Common Share purchased by the Underwriters under this short form prospectus. See "*Plan of Distribution*".**

The Underwriters have agreed to act, and the Corporation has appointed the Underwriters, as the sole and exclusive agents of the Corporation to offer the Flow-Through Shares for sale at a price of \$1.10 per Flow-Through Share. The Underwriters have agreed that if less than 15,454,545 Flow-Through Shares are sold by the Underwriters as agents, the Underwriters shall purchase from the Corporation, as principals, the Flow-Through Shares not sold by the Underwriters as agents in accordance with the conditions contained in the Underwriting Agreement referred to under "*Plan of Distribution*" and subject to approval of certain legal matters on behalf of the Corporation by Norton Rose Fulbright Canada LLP and on behalf of the Underwriters by Torys LLP.

Subscriptions for Offered Common Shares and Flow-Through Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at anytime without notice. Closing of the Offering is expected to occur on or about October 7, 2013 or such later date as the Corporation and the Underwriters may agree, but in any event not later than the date that is 42 days after the date of the receipt for the final short form prospectus in respect of the Offered Common Shares and the Flow-Through Shares (the "**Closing Date**").

**National Bank Financial Inc. is a wholly-owned subsidiary of National Bank of Canada, which is a lender to the Corporation pursuant to its credit facility. Consequently, the Corporation may be considered to be a connected issuer of this Underwriter within the meaning of the applicable securities regulation. See "*Plan of Distribution*".**

It is expected that the Offered Common Shares and Flow-Through Shares will be issued and deposited in electronic form with CDS Clearing and Depository Services Inc. ("CDS") on the Closing Date. No certificates evidencing the Offered Common Shares or Flow-Through Shares will be issued to purchasers, except in certain limited circumstances (including Offered Common Shares offered or sold in the United States pursuant to Regulation D under the U.S. Securities Act ("**Regulation D**")), and registration will be made in the depository service of CDS. Purchasers of the Offered Common Shares and Flow-Through Shares will receive only a customer confirmation from the Underwriters or other registered dealer who is a CDS participant ("**Participant**") and from or through whom a beneficial interest in the Offered Common Shares or Flow-Through Shares is purchased. See "*Plan of Distribution*".

**An investment in the Offered Common Shares and/or Flow-Through Shares is speculative due to the nature of Strategic's involvement in the exploration for, and the acquisition, development and production of, oil and natural gas reserves and resources. Strategic's business is subject to certain risks normally encountered in the oil and natural gas industry such as the marketability of oil and natural gas, competition with companies having greater resources, acquisition, exploration and production risks, need for capital, fluctuations in the market price and demand for oil and natural gas and the regulation of the oil and natural gas industry by various levels of government. The reserves, recovery and production information incorporated by reference in this short form prospectus are estimates only and the actual production and ultimate reserves recovered from the properties of Strategic may be greater or less than the estimates incorporated by reference in this short form prospectus. The estimated future revenue from the production of the disclosed reserves of Strategic does not represent the fair market value of such reserves. The success of acquisitions and further exploration or development projects cannot be assured. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Strategic. See "*Risk Factors*" and "*Forward Looking Information*".**

Investors should rely only on the information contained in this short form prospectus and the documents incorporated by reference herein. Strategic has not authorized anyone to provide investors with different information. Strategic is not offering the Offered Common Shares and Flow-Through Shares in any jurisdiction in which the Offering is not permitted. Investors should not assume that the information contained in this short form prospectus is accurate as of any date other than the date of this short form prospectus. Subject to Strategic's obligations under applicable securities laws, the information contained in this short form prospectus is accurate only as of the date of this short form prospectus regardless of the time of delivery of this short form prospectus or of any sale of the Offered Common Shares or Flow-Through Shares.

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## FORWARD LOOKING INFORMATION

This short form prospectus contains forward looking information pertaining to the use by the Corporation of net proceeds of the Offering and the Private Placement, the terms of the Offering (including the manner of distribution), the listing of the Offered Common Shares and the Flow-Through Shares on the TSXV, anticipated capital expenditures and the anticipated Closing Date. Forward looking information is frequently characterized by words such as "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "predict", "seek", "propose", "expect", "potential", "continue", and similar expressions. Such forward looking information is based on a number of assumptions, including but not limited to the timing of the closing of the Offering, the satisfaction of the conditions to closing of the Offering (including the receipt, in a timely manner, of regulatory and other required approvals), the impact of increasing competition, commodity prices and exchange rates, and the Corporation's ability to attract and retain qualified personnel.

Forward looking information involves significant known and unknown risks and uncertainties. A number of factors, many of which are beyond the control of the Corporation, could cause actual results to differ materially from the results discussed in the forward looking information as a result of risks and uncertainties including but not limited to general economic conditions, industry conditions, volatility in global market prices for oil and natural gas, competition, liabilities and risks (including environmental liability and risks) inherent in oil and gas operations, the availability of capital, alternatives to and changing demand for petroleum products, changes in legislation and the regulatory environment, and additional risk factors set forth under "*Risk Factors*" in the AIF (as defined herein) and under "*Risk Factors*" in the Annual MD&A (as defined herein).

Although the forward looking information contained in this short form prospectus is based upon assumptions which management of the Corporation believes to be reasonable, the Corporation cannot assure investors that actual results will be consistent with this forward looking information. The forward looking information contained herein is made as of the date of this short form prospectus, and the Corporation assumes no obligation to update or revise it to reflect new events or circumstances, except as required by law. Because of the risks, uncertainties and assumptions inherent in forward looking information, prospective investors in the Corporation's securities should not place undue reliance on this forward looking information.

Statements relating to "reserves" and "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated, and can be profitably produced in the future. The assumptions relating to the reserves and resources of the Corporation are discussed in the AIF.

## DEFINITIONS

In this short form prospectus, the abbreviations set forth below have the following meanings:

<b>boe</b>	barrels of crude oil equivalent derived by converting gas to crude oil in the ratio of six thousand cubic feet of gas to one barrel of crude oil, which conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Boe's may be misleading particularly if used in isolation.
<b>boe/d</b>	barrels of crude oil equivalent per day

## DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with provincial securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of the Corporation at Suite 1100, 645 - 7th Avenue S.W., Calgary, Alberta T2P 4G8, telephone (403) 767-9000. Copies of the documents incorporated herein by reference are also available at [www.sedar.com](http://www.sedar.com).

The following documents of the Corporation, filed with the various provincial securities commissions or similar authorities in Canada, are specifically incorporated into and form an integral part of this short form prospectus:

- (a) the annual information form of the Corporation for the year ended December 31, 2012 dated April 11, 2013 (the "**AIF**");
- (b) the audited consolidated financial statements of the Corporation, together with the independent auditor's report thereon and the notes thereto, as at and for the years ended December 31, 2012 and 2011;
- (c) the Corporation's amended management's discussion and analysis of the consolidated operating and financial results for the year ended December 31, 2012 dated April 12, 2013 (the "**Annual MD&A**");
- (d) the audited consolidated financial statements of the Corporation, together with the independent auditor's report thereon and the notes thereto, as at and for the years ended December 31, 2011 and 2010;
- (e) the unaudited interim condensed consolidated financial statements of the Corporation and the notes thereto as at and for the three and six months ended June 30, 2013 and 2012;
- (f) the Corporation's management's discussion and analysis of the consolidated operating and financial results for the three and six months ended June 30, 2013 dated August 14, 2013;
- (g) the material change report dated January 4, 2013 concerning the closing of the acquisition of certain assets at Steen River and the increase to the borrowing limit under the Corporation's credit facility;
- (h) the material change report dated January 22, 2013 concerning the approval of the Corporation's 2013 capital budget, 2013 guidance and the appointment of the Chief Financial Officer and the Vice President, Operations of the Corporation;
- (i) the material change report dated February 25, 2013 concerning 2012 year-end reserve numbers;
- (j) the material change report dated March 5, 2013 concerning the acquisition of the Cameron Hills and Bistcho assets, the announcement of a non-brokered private placement of Common Shares and the appointment of Jim Riddell to the board of directors of the Corporation;
- (k) the material change report dated March 20, 2013 concerning the closing of the private placement for gross proceeds of \$29.0 million and resulting in the issuance of 23.2 million Common Shares at a price of \$1.25 per share;
- (l) the material change report dated July 15, 2013 concerning the results of a full reserves evaluation of the Corporation's assets and a resource assessment of the Muskeg Stack on a portion of the Corporation's assets at Steen River, as of June 1, 2013;

- (m) the material change report dated August 15, 2013 concerning the announcement of the Corporation's financial and operating results for the three months ended June 30, 2013;
- (n) the material change report dated September 12, 2013 concerning an operations and production update;
- (o) the material change report dated September 17, 2013 concerning the announcement of the Offering and the Private Placement;
- (p) the material change report dated September 17, 2013 concerning the increase to the size of the Offering and the Private Placement;
- (q) the material change report dated September 27, 2013 concerning the closing of the Private Placement; and
- (r) the management information circular dated April 11, 2013 in connection with the annual meeting of the shareholders of the Corporation held on May 10, 2013.

Any documents of the type required by National Instrument 44-101 to be incorporated by reference in a short form prospectus including any material change reports (excluding confidential reports), comparative interim condensed consolidated financial statements, comparative consolidated annual financial statements and the independent auditor's report thereon, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms and business acquisition reports filed by the Corporation with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this short form prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference in this short form prospectus.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.**

## STRATEGIC OIL & GAS LTD.

Strategic was incorporated under the laws of the Province of British Columbia on December 30, 1987 as 338761 B.C. Ltd. pursuant to the *British Columbia Companies Act*, which was subsequently replaced by the British Columbia *Business Corporations Act*. In addition, the articles of the Corporation have been amended as follows:

- August 25, 1988 - name changed to Xpres Infosystems Inc.;
- November 15, 1988 - name changed to Xpres Communications Inc.;
- February 11, 2000 - name changed to Stratacom Technology Inc. and share capital consolidated on a four for one basis;
- February 22, 2005 - name changed to Strategic Oil & Gas Ltd.;
- September 9, 2010 - Articles of Continuance filed under *Business Corporations Act* (Alberta); and
- April 4, 2012 - Articles of Amalgamation filed under *Business Corporations Act* (Alberta).

Strategic is engaged in the exploration for and development of petroleum and natural gas reserves in Western Canada and, to a limited extent, the Western United States. On March 29, 2006, Strategic incorporated a U.S. subsidiary, Strategic Oil & Gas, Inc. through which all oil and gas activities in the U.S. are conducted. On March 10, 2009 the Corporation acquired all the shares of a private oil and gas consulting company. On December 22, 2010, the Corporation acquired all the shares of a private corporation, Steen River Oil & Gas Ltd. ("**Steen**"). The primary asset of the Corporation is oil and gas properties in northwest Alberta. The Corporation's principal office is located at Suite 1100, 645 - 7th Avenue S.W., Calgary, Alberta T2P 4G8, Telephone (403) 767-9000 and its registered office is located at 3700, 400-3rd Avenue SW, Calgary, Alberta, T2P 4H2.

### Summary Description of the Business

Strategic is an oil and gas company committed to growth by exploiting its light oil assets in Canada. Strategic is primarily focused on implementing development plans for its light oil properties, while continuing to review other high impact light oil resource plays. Current productive capability is approximately 4,000 boe/d. Average daily production was 2,106 boe/d for 2012 and 3,364 boe/d for the first six months of 2013. The Corporation's principal areas of activity are:

- (a) The Steen River asset is a 100% owned and operated field in the Steen River area of northwest Alberta. The Corporation is the primary operator in the area with over 350,000 net acres of land, oil and natural gas facilities and other infrastructure. Current production from the Steen River assets is approximately 2,900 boe/d.
- (b) The Bistcho and Cameron Hills properties in northern Alberta and the Northwest Territories, respectively, were acquired in the first quarter of 2013 and comprise over 200 net sections of land, oil and gas production, pipelines and processing plants. Current production from the Bistcho and Cameron Hills properties is approximately 900 boe/d.
- (c) Strategic has greater than 100 sections of land available for development in the Maxhamish area of north-eastern British Columbia. The Corporation has a 38.5% non-operated working interest in the property. No wells are currently scheduled for this winter drilling season by the operator.

Strategic intends to focus its future capital program primarily on further development of its Steen River asset. Further details concerning Strategic, including information with respect to its assets, operations and history are provided in the AIF and other documents incorporated by reference into this short form prospectus. Readers are encouraged to review these documents as they contain important information about Strategic. See "*General Development of the Business*" and "*Description of the Business*" in the AIF.

## Recent Developments

On September 17, 2013, Strategic announced that the Offering and the Private Placement would be for an aggregate total of 42,050,000 Common Shares for gross proceeds of \$42,002,500. Later the same day, Strategic announced that the Offering and Private Placement had been increased to an aggregate total of 48,299,545 Common Shares for gross proceeds of \$48,202,750. The Private Placement closed on September 26, 2013.

## DESCRIPTION OF CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares ("**Preferred Shares**"). As of the date hereof, there were 230,598,601 Common Shares and no Preferred Shares issued and outstanding. The following is a summary of the rights, privileges, restrictions and conditions attaching to the Common Shares and the Preferred Shares of the Corporation. This summary does not purport to be complete and is subject to, and qualified by, reference to the articles of the Corporation. See "*Capitalization of the Corporation*".

### Common Shares

The holders of Common Shares are entitled to dividends if, as and when declared by the board of directors of the Corporation, to one vote per share at meetings of the holders of Common Shares of the Corporation and, upon liquidation, dissolution or winding-up of the Corporation, to receive pro-rata the remaining property and assets of the Corporation, subject to the rights of shares having priority over the Common Shares.

### Preferred Shares

The Preferred Shares are issuable in series and each class of Preferred Shares will have such rights, restrictions, conditions and limitations as the board of directors of the Corporation may from time to time determine. The holders of Preferred Shares are entitled, in priority to holders of Common Shares, to be paid rateably with holders of each other series of Preferred Shares the amount of accumulated dividends, if any, specified to be payable preferentially to the holders of such series and upon liquidation, dissolution or winding-up of the Corporation, to be paid rateably with holders of each other series of Preferred Shares the amount, if any, specified as being payable preferentially to holders of such series.

## DETAILS OF THE OFFERING

The Offering consists of 12,650,000 Offered Common Shares at a price of \$0.95 per Offered Common Share and 15,454,545 Flow-Through Shares at a price of \$1.10 per Flow-Through Share. In addition, the Corporation has granted to the Underwriters the Over-Allotment Option to purchase up to an additional 1,897,500 Over-Allotment Shares at the Common Share Offering Price on the same terms and conditions as the Offering, exercisable in whole or in part and from time to time, for a period of up to 30 days following closing of the Offering to cover over-allotments, if any, and for market stabilization purposes.

### Flow-Through Shares - Renunciation of CEE

The Flow-Through Shares will be issued as "flow-through shares" within the meaning of the Tax Act. The Corporation will covenant to incur on or before December 31, 2014, and renounce to each subscriber of Flow-Through Shares effective on or before December 31, 2013, CEE in an amount equal to the aggregate purchase price for the Flow-Through Shares paid by such subscriber. See "Certain Canadian Federal Income Tax Considerations."

Subscriptions for Flow-Through Shares will be made pursuant to one or more subscription and renunciation agreements (collectively, the "**Subscription Agreement**") to be made between the Corporation and one or more of the Underwriters or one or more sub-agents of an Underwriter, as agent for, on behalf of and in the name of all subscribers of Flow-Through Shares. **Subscribers who place an order to purchase Flow-Through Shares with an Underwriter, or any sub-agent of an Underwriter, will be deemed to have authorized any of such Underwriters, or such sub-agents, to execute and deliver, on their behalf, the Subscription Agreement.**

Pursuant to the Subscription Agreement, the Corporation will covenant and agree (i) to incur on or before December 31, 2014, and renounce to the subscriber effective on or before December 31, 2013, CEE in an amount equal to the aggregate purchase price paid by such subscriber for the Flow-Through Shares, and (ii) that if the Corporation does not renounce to such subscriber, effective on or before December 31, 2013, CEE equal to such amount, or if there is a reduction in such amount renounced pursuant to the provisions of the Tax Act, the Corporation shall indemnify the subscriber as to, and forthwith pay in settlement thereof to such subscriber, an amount equal to the amount of any tax payable or that may become payable under the Tax Act (and under any corresponding provincial legislation) by the subscriber (or if the subscriber is a partnership, the partners thereof) as a consequence of such failure or reduction. The Subscription Agreement will contain additional representations, warranties, covenants and agreements by the Corporation in favour of the subscriber of Flow-Through Shares which are consistent with and supplement the Corporation's obligations as described in this short form prospectus.

**The Subscription Agreement will also provide representations, warranties and agreements of the subscriber, and by its purchase of Flow-Through Shares, each subscriber of Flow-Through Shares offered hereunder will be deemed to have represented, warranted and agreed, for the benefit of the Corporation and the Underwriters that:** (i) the subscriber, and any beneficial purchaser for whom it is acting deals, and until January 1, 2015 will continue to deal, at arm's length with the Corporation for the purposes of the Tax Act; (ii) the subscriber, if an individual, is of the full age of majority and otherwise is legally competent to enter into the Subscription Agreement; (iii) the subscriber, if other than an individual, has the necessary capacity and authority to enter into the Subscription Agreement and has taken all necessary action in respect thereof; (iv) other than as provided herein and in the Subscription Agreement, the subscriber waives any right that it may have to any potential incentive grants, credits and similar or like payments or benefits which accrue as a result of the operations relating to CEE and acknowledges that all such grants, credits, payments or benefits accrue to the benefit of the Corporation; (v) the subscriber has received and reviewed a copy of this short form prospectus; (vi) neither the subscriber, nor any beneficial purchaser for whom it is acting, will enter into any arrangement that would cause the Flow-Through Shares to be "prescribed shares" for purposes of the Tax Act; (vii) the liability of the Corporation to renounce CEE shall be limited to the extent specifically stated in this short form prospectus and the Subscription Agreement; (viii) the Subscription Agreement is subject to acceptance by the Corporation and is effective only upon such acceptance; and (ix) neither the subscriber nor any beneficial purchaser for whom it is acting is a non-resident of Canada for the purposes of the Tax Act.

Notwithstanding the foregoing, the Corporation may enter into one or more subscription and renunciation agreements for Flow-Through Shares on such other terms as may be agreed to by the Corporation and the applicable subscriber.

## PRIOR SALES

The following table summarizes the issuances of Common Shares, and securities convertible into Common Shares, within the twelve month period prior to the date of this short form prospectus.

Date of Issuance	Description of Transaction	Number of Securities Issued	Number of Securities Granted	Price per Security
September 26, 2013	Private Placement	20,195,000	-	\$0.95
September 24, 2013	Stock Option Grant <sup>(2)</sup>		100,000	\$0.97
August 13, 2013	Stock Option Grant <sup>(2)</sup>	-	15,000	\$1.03
August 6, 2013	Stock Option Grant <sup>(2)</sup>	-	10,000	\$1.06
July 9, 2013	Stock Option Grant <sup>(2)</sup>	-	175,000	\$1.13
May 25, 2013	Stock Option Grant <sup>(2)</sup>	-	10,000	\$1.19
May 15, 2013	Stock Option Grant <sup>(2)</sup>	-	10,000	\$1.13
May 1, 2013	Stock Option Grant <sup>(2)</sup>	-	10,000	\$1.10
April 19, 2013	Stock Option Grant <sup>(2)</sup>	-	335,000	\$1.14
April 11, 2013	Stock Option Grant <sup>(2)</sup>	-	75,000	\$1.24

April 7, 2013	Stock Option Grant <sup>(2)</sup>	-	20,000	\$1.17
March 21, 2013	Stock Option Grant <sup>(2)</sup>	-	10,000	\$1.23
March 20, 2013	Private Placement	23,200,000	-	\$1.25
March 15, 2013	Exercise of Options <sup>(1)</sup>	10,000	-	\$0.90
March 8, 2013	Exercise of Options <sup>(1)</sup>	25,000	-	\$0.65
March 8, 2013	Exercise of Options <sup>(1)</sup>	58,333	-	\$0.50
February 12, 2013	Exercise of Options <sup>(1)</sup>	45,800	-	\$1.10
February 11, 2013	Exercise of Options <sup>(1)</sup>	4,200	-	\$1.10
February 8, 2013	Exercise of Options <sup>(1)</sup>	30,000	-	\$0.90
February 8, 2013	Exercise of Options <sup>(1)</sup>	50,000	-	\$0.65
February 8, 2013	Exercise of Options <sup>(1)</sup>	75,000	-	\$0.90
February 5, 2013	Exercise of Options <sup>(1)</sup>	10,000	-	\$1.10
February 5, 2013	Exercise of Options <sup>(1)</sup>	90,000	-	\$1.10
February 4, 2013	Exercise of Options <sup>(1)</sup>	50,000	-	\$1.10
February 1, 2013	Exercise of Options <sup>(1)</sup>	45,000	-	\$0.90
February 1, 2013	Exercise of Options <sup>(1)</sup>	100,000	-	\$1.10
January 31, 2013	Exercise of Options <sup>(1)</sup>	33,334	-	\$0.75
January 31, 2013	Exercise of Options <sup>(1)</sup>	50,000	-	\$0.65
January 21, 2013	Stock Option Grant <sup>(2)</sup>	-	300,000	\$1.31
January 16, 2013	Exercise of Options <sup>(1)</sup>	33,333	-	\$0.50
January 16, 2013	Exercise of Options <sup>(1)</sup>	33,333	-	\$0.25
January 16, 2013	Exercise of Options <sup>(1)</sup>	15,000	-	\$0.90
January 11, 2013	Exercise of Options <sup>(1)</sup>	10,000	-	\$1.10
January 11, 2013	Exercise of Options <sup>(1)</sup>	20,000	-	\$0.90
January 1, 2013	Stock Option Grant <sup>(2)</sup>	-	225,000	\$1.18
December 14, 2012	Stock Option Grant <sup>(2)</sup>	-	4,335,000	\$1.16
December 6, 2012	Exercise of Options <sup>(1)</sup>	16,667	-	\$0.75
December 6, 2012	Exercise of Options <sup>(1)</sup>	16,667	-	\$0.50
December 6, 2012	Exercise of Options <sup>(1)</sup>	16,667	-	\$0.25
December 6, 2012	Exercise of Options <sup>(1)</sup>	25,000	-	\$0.65
December 5, 2012	Exercise of Options <sup>(1)</sup>	20,100	-	\$0.65
December 5, 2012	Exercise of Options <sup>(1)</sup>	179,900	-	\$0.65
December 1, 2012	Stock Option Grant <sup>(2)</sup>	-	160,000	\$0.83
November 14, 2012	Stock Option Grant <sup>(2)</sup>	-	520,000	\$1.04

**Notes:**

- (1) Common Shares were issued pursuant to the exercise of previously granted stock options.  
(2) Each common share option entitles the holder to acquire one Common Share at the stated exercise price per share expiring five years from the date of grant. Each grant vests in equal tranches over three years, except for the 225,000 options granted on January 1, 2013, which vest in equal tranches over five years.

**PLAN OF DISTRIBUTION**

Pursuant to an underwriting agreement dated September 17, 2013 (the "**Underwriting Agreement**") between the Corporation and the Underwriters, (i) the Corporation has agreed to sell to the Underwriters and the Underwriters have agreed to purchase from the Corporation, as principals, on the Closing Date, a total of 12,650,000 Offered Common Shares at a price of \$0.95 per Common Share and (ii) the Underwriters have agreed to act as, and the Corporation has appointed the Underwriters as the sole and exclusive agents of the Corporation to offer an

aggregate of 15,454,545 Flow-Through Shares for sale at a price of \$1.10 per Flow-Through Share, payable in cash to the Corporation against delivery of the Offered Common Shares and Flow-Through Shares, subject to compliance with all necessary legal requirements and the terms and conditions of the Underwriting Agreement. In consideration for their services in connection with the Offering, the Underwriters will be paid a fee of \$0.0475 per Offered Common Share and \$0.055 per Flow-Through Share for an aggregate amount of \$1,450,875. The terms of the Offering were determined by negotiation between the Corporation and the Bookrunner, on its own behalf and on behalf of the other Underwriters.

The Underwriters propose to offer the Offered Common Shares initially at the Common Share Offering Price. After the Underwriters have made a reasonable effort to sell all of the Offered Common Shares at the Common Share Offering Price, the Common Share Offering Price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Offered Common Shares is less than the price paid by the Underwriters to the Corporation. Any such reduction will not affect the proceeds received by the Corporation.

The Corporation has also granted to the Underwriters the Over-Allotment Option exercisable, in whole or in part and from time to time, at the sole discretion of the Underwriters, at any time up to 30 days following the closing of the Offering, to purchase an additional 1,897,500 Over-Allotment Shares at the Common Share Offering Price to cover over-allotments, if any, and for market stabilization purposes. If the entire Over-Allotment Option is exercised, the Underwriters will be paid a fee of \$0.0475 per Over-Allotment Common Share for an aggregate amount of \$90,131. This short form prospectus qualifies the grant of the Over-Allotment Option and the issuance of the Over-Allotment Shares. A purchaser who acquires Over-Allotment Shares acquires the Over-Allotment Shares under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option, or secondary market purchases. Unless otherwise indicated, all information in this short form prospectus assumes no exercise of the Over-Allotment Option.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint or joint and several and may be terminated at their discretion upon the occurrence of certain stated events. If one or more of the Underwriters fails to purchase the Offered Common Shares and Flow-Through Shares which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Offered Common Shares and Flow-Through Shares or to offer such Flow-Through Shares for purchase. The Underwriters are, however, obligated to take-up and pay for all Offered Common Shares and Flow-Through Shares if any are purchased under the Underwriting Agreement (other than pursuant to the Over-Allotment Option except to the extent it shall have been exercised). The Underwriting Agreement also provides that the Corporation will indemnify the Underwriters and their directors, officers, agents, shareholders, employees, affiliates and partners against certain liabilities and expenses.

The Corporation has been advised that, in connection with the Offering, the Underwriters may effect transactions which stabilize or maintain the market price of the Common Shares at levels above those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Subscriptions for Offered Common Shares or Flow-Through Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without prior notice. The closing of the Offering is expected to occur on or about October 7, 2013, but in any event not later than the date that is 42 days after the date of the receipt for this short form prospectus in respect of the Offered Common Shares and Flow-Through Shares.

The TSXV has conditionally approved the listing of the Offered Common Shares and Flow-Through Shares. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSXV.

National Bank Financial Inc. is a wholly-owned subsidiary of National Bank of Canada, which is a lender to the Corporation pursuant to its credit facility. Consequently, the Corporation may be considered a connected issuer of this Underwriter within the meaning of the applicable securities regulation. See "Capitalization of the Corporation" for a description of the credit facility and amounts outstanding under the facility. The decision to distribute the Offered Common Shares and Flow-Through Shares offered under this short form prospectus and the determination of the terms of the distribution were made through negotiations primarily between the Corporation

and the Bookrunner. The lender under the credit facility did not have any involvement in such decisions or determinations, but has been advised of the issuance and terms thereof. As a consequence of this issuance, National Bank Financial Inc. will receive its share of the Underwriters' fee. Proceeds from the Offering may be used to reduce or repay indebtedness which the Corporation has under its credit facility with National Bank of Canada. Since the indebtedness under the credit facility was incurred, the value of the security under the facility has increased and the Corporation's debt level has increased which has impacted its financial position as capital expenditures have been incurred in the ordinary course of the Corporation's business. See "Use of Proceeds".

The Corporation has agreed with the Underwriters that, for the period commencing as of the date of the Underwriting Agreement and ending on the date that is 90 days following the Closing Date, it will not, directly or indirectly, issue, offer, or announce the issuance or offering of, or make or announce any agreement to issue, sell, or exchange Common Shares or securities convertible or exchangeable into Common Shares without the prior consent of the Bookrunner (on behalf of the Underwriters), not to be unreasonably withheld, provided that notwithstanding the foregoing, the Corporation may, without such consent, issue the Offered Common Shares and Flow-Through Shares, grant options to directors, officers, consultants or employees of the Corporation and issue Common Shares on exercise thereof subject to the current board approved option incentive program and in accordance with the rules of the TSXV or on exercise of other outstanding instruments as of the date hereof.

Except as otherwise provided herein, on the Closing Date, the Offered Common Shares and Flow-Through Shares issued pursuant to the Offering will be registered to CDS or its nominee, CDS & Co. and will be deposited with CDS in an electronic format. Except in limited circumstances as described below, a purchaser acquiring a beneficial interest in the Offered Common Shares or Flow-Through Shares will not receive a certificate for Offered Common Shares or Flow-Through Shares, as the case may be, unless a certificate is requested. Purchasers of Offered Common Shares and Flow-Through Shares will not be shown on the records maintained by CDS except through a Participant.

Beneficial interests in Offered Common Shares and Flow-Through Shares will be represented solely through the non-certificated, electronic system and such interests will be evidenced by customer confirmations of purchase from the Participant from which the Offered Common Shares or Flow-Through Shares are purchased in accordance with the practices and procedures of that Participant. In addition, registration of interests in and transfers of the Offered Common Shares and Flow-Through Shares will be made only through the depository service of CDS.

As indirect holders of Offered Common Shares or Flow-Through Shares, investors should be aware that, subject to the circumstances described below, they: (a) will not have Offered Common Shares or Flow-Through Shares registered in their name; (b) will not have physical certificates representing their interest in the Offered Common Shares or Flow-Through Shares; (c) will not be able to sell the Offered Common Shares or Flow-Through Shares to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Offered Common Shares or Flow-Through Shares as security.

The Offered Common Shares and Flow-Through Shares will be issued to beneficial owners thereof in fully registered and certificate form only if: (a) required to do so by applicable law; (b) the non-certificated, electronic system ceases to exist; (c) CDS advises the Corporation that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Offered Common Shares or Flow-Through Shares and the Corporation is unable to locate a qualified successor; or (d) the Corporation, at its option, decides to terminate the non-certificated system through CDS.

Notwithstanding the foregoing, purchasers of Offered Common Shares under Regulation D will receive definitive certificates to reflect the Offered Common Shares.

The Offered Common Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States. Accordingly, the Offered Common Shares may not be offered, sold or delivered, directly or indirectly, in the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Flow-Through Shares offered hereunder will not be offered or sold within the United States. Except as permitted in the Underwriting Agreement and as expressly permitted by applicable laws of the United States, the Underwriters will not offer, sell or deliver the Offered Common Shares within the United States. The Underwriting Agreement permits the Underwriters to offer and resell the Offered Common Shares that they have acquired pursuant to the Underwriting Agreement, through

their U.S. broker-dealer affiliates, to "qualified institutional buyers" (as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act) in the United States, provided that such offers and sales are made in accordance with Rule 144A and similar exemptions under applicable state securities laws. The Underwriting Agreement also permits the Underwriters to designate certain institutional "accredited investors" that meet one or more of the criteria set forth in Rule 501(a)(1), (2), (3) or (7) of Regulation D to whom the Underwriters may sell the Offered Common Shares, as agents, on behalf of the Corporation in accordance with Section 4(a)(2) of the U.S. Securities Act and Rule 506 of Regulation D and similar exemptions under applicable state securities laws. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Offered Common Shares outside the United States only in accordance with Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of the Offering, any offer or sale of the Offered Common Shares or Flow-Through Shares offered hereby within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirement of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirement of the U.S. Securities Act.

### CAPITALIZATION OF THE CORPORATION

The following table sets forth the consolidated capitalization of the Corporation as at December 31, 2012, and as at June 30, 2013 both before and after giving effect to the Offering and the Private Placement.

Description	Authorized	As at December 31, 2012	As at June 30, 2013	As at June 30, 2013 after giving effect to the Offering and Private Placement <sup>(3)</sup>
<b>Debt</b>				
Credit Facilities <sup>(1)</sup>	\$100,000,000	<b>\$34,125,000</b>	<b>\$70,800,000</b>	<b>\$24,283,125</b>
<b>Equity<sup>(2)</sup></b>				
Common Shares	Unlimited	<b>\$122,999,000</b> (186,415,268 Common Shares)	<b>\$152,280,000</b> (210,403,601 Common Shares)	<b>\$196,478,693</b> (258,703,146 Common Shares)
Contributed Surplus	-	<b>\$7,958,000</b>	<b>\$8,367,000</b>	<b>\$8,367,000</b>

**Notes:**

- (1) The Corporation has a \$100,000,000 credit facility with National Bank of Canada comprised of an \$80 million revolving operating line and a \$20 million acquisition/development demand loan. Amounts outstanding under the facility are repayable on demand, and bear interest at a rate of 0.5% to 2.5% over the bank's price lending rate for prime loans, or at bankers' acceptance rates plus a stamping fee ranging from 1.75% to 3.75%, depending on the Corporation's debt to cash flow ratio. The facility is secured by a general security agreement including a floating charge on all lands and contains a financial covenant that requires the Corporation to maintain a working capital ratio of not less than 1:1, but for the purpose of the ratio calculation the unused portion of the revolving operating line is included in current assets, and the current portion of the outstanding debt and risk management liabilities are both excluded from current liabilities. The facility has a renewal date of October 1, 2013. At June 30, 2013, the Corporation's adjusted working capital ratio was 0.80, and therefore the financial covenant was not met. Prior to June 30, 2013, the Corporation had requested from the lender a draw of \$14.0 million on the acquisition/development portion of the facility. The request was approved subsequent to June 30, 2013 and \$7.0 million has been received, with the remainder receivable upon confirmation of successful results from the first two wells of the summer 2013 drilling program. The Corporation has received from the lender a waiver of the covenant violation at June 30, 2013. Prior to the close of the Private Placement, the Corporation was in violation of the financial covenant, but had obtained a waiver from the lender of the covenant violation. Following the closing of the Private Placement, the Corporation applied the proceeds of the Private Placement against its operating line. As at the date hereof, the balance on the operating line is approximately \$55 million and the balance on the acquisition/development demand loan is \$7.0 million. The Corporation is in compliance with all terms and covenants of the credit facility.
- (2) Does not include Common Shares issuable upon exercise of outstanding stock options. As of the date hereof, there were 8,150,359 Common Shares reserved for issuance pursuant to the Corporation's option plan.
- (3) Based on the issuance of 12,650,000 Offered Common Shares for gross proceeds of \$12,017,500 and 15,454,545 Flow-Through Shares for gross proceeds of \$17,000,000 pursuant to the Offering and 20,195,000 Common Shares for gross proceeds of \$19,185,250 pursuant to the Private Placement for aggregate gross proceeds of \$48,202,750 less all fees payable to the Underwriters' of \$1,450,875 and estimated expenses of the Offering and Private Placement of \$235,000 for net proceeds to the Corporation of \$46,516,875. If the Over-Allotment Option is exercised in full, the aggregate gross proceeds, the aggregate Underwriters' fee, estimated expenses of the Offering and net proceeds to the Corporation will be \$50,005,375, \$1,541,006, \$245,000 and \$48,219,369, respectively. Share capital has been reduced by \$2,318,182 for the flow-through premium of \$0.15 per Flow-Through Share in accordance with the Corporation's accounting policies. See "*Plan of Distribution*".

## PRICE RANGE AND TRADING VOLUME OF THE COMMON SHARES

The outstanding Common Shares are traded on the TSXV under the trading symbol "SOG". The following table sets forth the high and low trading prices and aggregate trading volume of the Common Shares as reported by the TSXV for the periods indicated.

<b>Monthly Price Range</b>			
	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume</b>
<b>2012</b>			
August	0.85	0.61	3,339,328
September	0.85	0.64	1,666,516
October	0.92	0.64	5,514,345
November	1.07	0.76	12,231,226
December	1.26	1.02	16,171,927
<b>2013</b>			
January	1.45	1.14	14,249,336
February	1.45	1.12	13,710,768
March	1.37	1.08	9,021,613
April	1.36	1.00	15,620,809
May	1.21	0.84	19,034,712
June	1.21	0.82	14,246,254
July	1.21	1.01	13,235,057
August	1.10	0.94	11,121,116
September 1 - 27	1.10	0.94	11,280,366

On September 16, 2013, the last complete trading day before the date of the public announcement of the Offering, the closing price of the Common Shares on the TSXV was \$1.01 per Common Share. On September 27, 2013, the last complete trading day prior to the date hereof, the closing price of the Common Shares was \$0.95 per Common Share.

## USE OF PROCEEDS

The net proceeds to the Corporation from the Offering is estimated to be approximately \$27,346,625 after deducting the fees of \$1,450,875 payable to the Underwriters and the estimated expenses of the Offering of \$220,000. The net proceeds to the Corporation from the Private Placement, after deducting the expenses of the Private Placement, was \$19,170,250. The aggregate net proceeds from the Offering and the Private Placement will be \$46,516,875, all of which will be initially applied against the Corporation's outstanding bank indebtedness. The Corporation will subsequently draw down funds on its credit facility in order to fund the Corporation's increased 2013 drilling program and to partially fund its 2014 capital program. The 2013 capital spending budget including acquisitions has been increased from \$85 million to \$115 million, and now includes the drilling of three additional Muskeg Stack wells in the fourth quarter of 2013. The Corporation has not yet finalized its capital spending budget for 2014, but anticipates capital expenditures of \$75-85 million for the year. The proceeds from bank indebtedness that will be reduced or repaid with a portion of the net proceeds from the Offering and the Private Placement were used to develop the Corporation's assets at Steen River, including drilling and facilities expenditures. In the event the Over-Allotment Option is exercised in whole or in part, any additional net proceeds will be added to working capital.

The net proceeds from the Offering and Private Placement will be added to working capital to enhance corporate liquidity until deployed. The allocation of the net proceeds of the Offering and Private Placement may be adjusted within these stated categories of expenditures depending on, among other things, timing of receipt of required government approvals, availability of rigs, equipment and services and general political and market conditions. Further, while the Corporation intends to use the net proceeds of the Offering and Private Placement as stated above, there may be circumstances that are not known at this time where a reallocation of the net proceeds may be advisable for business reasons that management believes are in the Corporation's best interests.

The net proceeds of the Offering and Private Placement will be used by the Corporation to accomplish its stated business objective of building a successful oil and gas company. The Corporation's strategy is to secure early exploration opportunities which allow the Corporation to operate with high working interests primarily focused on crude oil in the short term and to capitalize on management's technical expertise by acquiring additional higher risk, higher reward opportunities to accelerate growth. The Corporation's capital expenditure program has been designed to expand the Corporation's current production base. The proceeds of the Offering and Private Placement are intended to improve working capital and enhance corporate liquidity to permit the Corporation to pursue its growth-oriented strategy.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Norton Rose Fulbright Canada LLP, counsel to the Corporation, and Torys LLP counsel to the Underwriters, based on the current provisions of the Tax Act, provided the Offered Common Shares and Flow-Through Shares are listed on a designated stock exchange for purposes of the Tax Act (which includes the TSXV), the Offered Common Shares and Flow-Through Shares will be qualified investments under the Tax Act for trusts governed by a registered retirement savings plan (a "RRSP"), a registered retirement income fund ("RRIF"), a registered education savings plan, a deferred profit sharing plan, a registered disability savings plan and a tax-free savings account ("TFSA") (collectively, an "Exempt Plan").

Notwithstanding that the Offered Common Shares and Flow-Through Shares may be qualified investments as described above, the holder of a trust governed by a TFSA or the annuitant under a RRSP or RRIF that holds Offered Common Shares or Flow-Through Shares will be subject to a penalty tax if such Offered Common Shares or Flow-Through Shares are a "prohibited investment" for the purposes of the Tax Act. The Offered Common Shares and Flow-Through Shares will generally be a "prohibited investment" if the holder or the annuitant, as the case may be, does not deal at arm's length with the Corporation for the purposes of the Tax Act or the holder or the annuitant, as the case may be, has a "significant interest" (within the meaning of the Tax Act) in the Corporation or a corporation, partnership or trust with which the Corporation does not deal at arm's length for the purposes of the Tax Act. The Department of Finance (Canada) released proposed amendments to the Tax Act on December 21, 2012, under which the Offered Common Shares and Flow-Through Shares would generally be a "prohibited investment" only where the holder or the annuitant, as the case may be, does not deal at arm's length with the Corporation for the purposes of the Tax Act or the holder or the annuitant, as the case may be, has a "significant interest" (within the meaning of the Tax Act) in the Corporation. There can be no assurances that the proposed amendment relating to the prohibited investment rules will be enacted in its current proposed form or at all.

It would be highly unusual for an Exempt Plan to subscribe for the Flow-Through Shares directly, as such Exempt Plan would not be able to use the tax deductions described below. Any subscriber who intends to cause an Exempt Plan to acquire Offered Common Shares or Flow-Through Shares, or any person who wishes to contribute Offered Common Shares or Flow-Through Shares to an Exempt Plan should consult their own tax advisor.

## RISK FACTORS

**An investment in the Offered Common Shares and/or Flow-Through Shares is subject to certain risks and should be considered speculative due to the nature of the Corporation's involvement in the exploration for, and the acquisition, development and production of, crude oil and natural gas reserves in western Canada and the western United States. Investors should carefully consider the risks described under the heading "Risk Factors" in the Corporation's AIF and Annual MD&A incorporated by reference in this short form prospectus as well as the risk factors set forth below and elsewhere in this short form prospectus prior to making an investment in the Offered Common Shares and/or Flow-Through Shares.**

### Use of Proceeds

Strategic currently intends to allocate the net proceeds received from the Offering and the Private Placement as described under "Use of Proceeds" in this short form prospectus. However, the board of directors and management of Strategic will have discretion in the actual application of the net proceeds, and may elect to allocate proceeds differently from that described in "Use of Proceeds" if it is believed it would be in the best interests of Strategic to do so as circumstances change. The failure by the board of directors or management of Strategic to apply these funds effectively could have a material adverse effect on Strategic.

## **Volatility of Market Price of Common Shares**

The market price of the Common Shares may be volatile. The volatility may affect the ability of holders to sell the Common Shares at an advantageous price. Market price fluctuations in the Common Shares may be due to Strategic's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by Strategic or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "*Forward-Looking Statements*" in this short form prospectus. In addition, the market price for securities in the stock markets, including the TSXV, recently experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market price of the Common Shares.

## **Forward-Looking Statements May Prove Inaccurate**

Investors are cautioned not to place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties are found in this short form prospectus under the heading "*Forward-Looking Statements*".

## **Canadian Tax Treatment of Flow-Through Shares**

The tax treatment applicable to oil and gas activities and flow-through shares constitutes a major factor when considering an investment in the Flow-Through Shares. Investors are cautioned that the taxation laws and regulations and the current administrative practices of both the federal and provincial tax authorities may be amended or construed in such a way that the tax considerations for a subscriber holding Flow-Through Shares will be altered and, moreover, there may be differences of opinion between the federal and provincial tax authorities with respect to the tax treatment of the Flow-Through Shares, the status of such Flow-Through Shares and the activities contemplated by the Corporation's exploration and development programs. See "*Certain Canadian Federal Income Tax Considerations*".

The Flow-Through Shares are designed for investors whose income is subject to high marginal tax rates. The right to deduct qualifying expenditures accrues to the initial purchaser of the Flow-Through Shares and is not transferable. No guarantee can be given that Canadian tax laws will not be amended, that the amendments announced with respect to such laws will be adopted or that the current administrative practices of the tax authorities will not be modified. In addition, there is no guarantee that the CEE incurred by the Corporation or the expected tax deductions will be accepted by the Canada Revenue Agency (the "CRA"). Consequently, the tax considerations for subscribers holding or selling Flow-Through Shares may be fundamentally altered. See "*Certain Canadian Federal Income Tax Considerations*".

There is no guarantee that an amount equal to the total proceeds of the sale of the Flow-Through Shares will be expended on or prior to December 31, 2014 as CEE resulting in the deductions described under "*Certain Canadian Federal Income Tax Considerations*". **If the Corporation does not expend an amount equal to the gross proceeds from the sale of the Flow-Through Shares so as to incur sufficient CEE prior to December 31, 2014, the Corporation will be required to reduce the amount of CEE that it has renounced in favour of the investors and the investors will be reassessed accordingly and will be required to remit tax if the reduction in the renounced CEE increases their taxable income.** Subscribers will not be subject to penalties for any such reassessment and no interest will be payable on such additional tax if such tax is paid by April 30, 2015. The Corporation will agree to indemnify the subscriber as to, and forthwith pay in settlement thereof to such subscriber, an amount equal to the amount of any tax payable or that may become payable under the Tax Act (and under any corresponding provincial legislation) by the subscriber (or if the subscriber is a partnership, the partners thereof) as a result of any such reduction; however, there is no guarantee that the Corporation will have the financial resources required to satisfy such indemnity.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Norton Rose Fulbright Canada LLP, counsel to the Corporation, and Torys LLP counsel to the Underwriters, the following is a fair and adequate summary of the principal Canadian federal income tax considerations generally applicable to a subscriber who purchases Offered Common Shares or Flow-Through Shares pursuant to the Offering and who, for purposes of the Tax Act and at all relevant times, is or is deemed to be resident in Canada, deals at arm's length and is not affiliated with the Corporation or the Underwriters and holds the Offered Common Shares or Flow-Through Shares as capital property. The Offered Common Shares and Flow-Through Shares will generally constitute capital property to a subscriber unless the subscriber holds the Offered Common Shares or Flow-Through Shares, respectively in the course of carrying on a business of buying and selling securities or acquires the Offered Common Shares or the Flow-Through Shares, respectively, in a transaction or transactions considered to be an adventure in the nature of trade. Certain subscribers who might not otherwise be considered to hold their Offered Common Shares as capital property may, in certain circumstances, be entitled to make an irrevocable election permitted by subsection 39(4) of the Tax Act to have the Offered Common Shares and every other "Canadian security" (as defined in the Tax Act), owned by such subscriber in the taxation year of the election and in all subsequent taxation years deemed to be capital property. This election is not available in respect of the Flow-Through Shares. Subscribers that are considering making such an election should consult with their own tax advisors.

This summary is based on the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**"), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and counsel's understanding of the current published administrative policies and assessing practices of the CRA. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law or administrative practice, nor does it take into account provincial or territorial tax laws of Canada or the tax laws of any foreign jurisdiction. No assurance can be given that the Proposed Amendments will be enacted as proposed (or at all) or that legislative, judicial or administrative changes will not alter the statements made herein.

This summary does not apply to a subscriber (i) that is a "principal-business corporation" within the meaning of the Tax Act; (ii) whose business includes trading or dealing in rights, licenses or privileges to explore for, drill for or take minerals, petroleum, natural gas or other related hydrocarbons; (iii) that is a "financial institution", "specified financial institution" or an interest in which constitutes a "tax shelter investment", all within the meaning of the Tax Act; (iv) that has made a "functional currency" election under the Tax Act to determine its Canadian tax results in a currency other than Canadian currency; (v) that is a partnership or trust; or (vi) that has entered or will enter into a "derivative forward agreement" as that term is defined in proposed amendments released by the Minister of Finance (Canada) on September 13, 2013 with respect to the Offered Common Shares or the Flow-Through Shares.

This summary assumes that the Corporation will make all necessary tax filings in respect of the issuance of the Flow-Through Shares and the renunciation of CEE in the manner and within the time required by the Tax Act and the Regulations, that the Corporation will incur sufficient CEE to enable it to renounce to subscribers all of the CEE covenanted to be renounced by the Corporation pursuant to the Subscription Agreement effective on the dates set out therein and that all expenses discussed herein will be reasonable in amount. This summary assumes that the Corporation will be a "principal-business corporation" at all material times and that the Flow-Through Shares, when issued, will be "flow-through shares" and will not be "prescribed shares", all within the meaning of the Tax Act.

The income tax consequences to a particular subscriber of an investment in Flow-Through Shares will vary according to a number of factors including the legal status of the subscriber as an individual, a trust, a corporation or a partnership, the province or provinces in which the subscriber resides, carries on business or has a permanent establishment and the amount that would be the subscriber's taxable income but for the investment in the Flow-Through Shares.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular subscriber. Accordingly, each potential subscriber should obtain independent advice regarding the income tax consequences of investing in the Offered Common Shares or Flow-Through Shares having regard to the subscriber's particular circumstances.**

## Canadian Exploration Expense

Subject to certain limitations and restrictions, the Corporation will be entitled to renounce CEE incurred by it to subscribers for Flow-Through Shares in an amount equal to the subscription price for the Flow-Through Shares as permitted by and in accordance with the Tax Act. Such CEE that is properly renounced to a subscriber will be deemed to be CEE incurred by the subscriber on the effective date of the renunciation.

The Corporation generally will be entitled to renounce CEE incurred, or deemed to be incurred, by it on or after the date that subscriptions for the Flow-Through Shares are accepted, less (i) any previous renunciations with respect to such expenses, (ii) any portion of those expenses which are prescribed under the Regulations as being "Canadian exploration and development overhead expenses", (iii) certain seismic expenses, and (iv) any assistance that the Corporation has received, is entitled to receive, or may reasonably be expected to receive at any time which is reasonably related to those expenses. The Corporation may not renounce to subscribers an amount in excess of the amount paid by the subscribers for the Flow-Through Shares. The Corporation will not be entitled to renounce CEE to the extent that such renunciation, if effective, would cause the Corporation's own cumulative CEE ("CCEE") to be a negative amount.

Certain CEE incurred pursuant to a flow-through share agreement and within 12 months after the end of the calendar year in which the flow-through shares are issued (the "**preceding calendar year**") can be treated as if incurred on December 31 of the preceding calendar year, provided that the subscription price for the relevant flow-through shares has been paid for in money during the preceding calendar year, the subscriber deals at arm's length with the Corporation throughout that 12 month period and the renunciation has been duly made by the end of March of the year following the preceding calendar year. In the event the Corporation does not fully expend the amounts renounced by the end of that 12 month period, the Corporation will be required to reduce the amount previously renounced and the subscribers' income tax returns for the years in which the expenditures were claimed will be reassessed accordingly. However, interest would generally not be levied in respect of such reassessments until after April, 2015.

Where the Corporation renounces CEE pursuant to this 12 month look-back rule, the Corporation will be liable to pay a deductible charge for each month (other than January) in 2014 equal to the amount of renounced expenses which have not been incurred by the end of the particular month multiplied by 1/12 of the prescribed interest rate at that time for refund interest purposes under the Tax Act.

A subscriber for Flow-Through Shares to whom the Corporation renounces CEE will have such CEE added to the subscriber's CCEE. A subscriber may deduct in computing the subscriber's income from all sources for a taxation year an amount not exceeding 100% of the balance of the subscriber's CCEE at the end of that taxation year. Deductions claimed by a subscriber reduce the subscriber's CCEE by the amount claimed. To the extent that a subscriber does not deduct the full CCEE balance at the end of the taxation year, the unclaimed balance will be carried forward and the subscriber will be entitled to claim deductions in respect thereof in subsequent taxation years in accordance with, and subject to the restrictions under, the provisions of the Tax Act. If at the end of a taxation year the reductions in calculating a subscriber's CCEE exceed the additions thereto, the excess must be included in computing the subscriber's income for that year and the subscriber's CCEE will thereupon have a nil balance. The disposition of Flow-Through Shares will not reduce a subscriber's CCEE. Certain restrictions apply in respect of the deduction of CCEE following an acquisition of control and certain reorganizations of a corporate subscriber. Corporate subscribers should consult their own tax advisors with respect to the application of these rules.

A subscriber who disposes of Flow-Through Shares will retain the entitlement to receive renunciations of CEE from the Corporation as described above, as well as the ability to deduct any CEE previously deemed to have been incurred by the subscriber, and a subsequent purchaser of such Flow-Through Shares will not be entitled to any renunciation of any CEE in respect thereof.

## Disposition of Flow-Through Shares

A disposition or deemed disposition of a Flow-Through Share (other than to the Corporation or a tax-deferred exchange) will result in the subscriber thereof realizing a capital gain (or a capital loss) in the taxation year of the disposition equal to the amount by which the proceeds of disposition exceed (or are less than) the aggregate of the subscriber's adjusted cost base of such shares and reasonable costs of the disposition. **For tax purposes, the**

**initial cost to a subscriber of the Flow-Through Shares is deemed to be nil.** The adjusted cost base of any Flow-Through Shares acquired pursuant to the Offering will generally be the average of the cost of all such shares including all other Common Shares held by the subscriber as capital property at that time. See *"Taxation of Capital Gains and Losses"* below.

### **Cumulative Net Investment Loss**

One half of the amount of CEE that is renounced to and deducted by a subscriber will increase the subscriber's cumulative net investment loss ("**CNIL**"). A subscriber's CNIL may impact a subscriber's ability to claim the capital gains deduction available on the disposition of certain qualifying small business corporation shares and farm property.

### **Minimum Tax**

Pursuant to the alternative minimum tax rules in the Tax Act, the tax otherwise payable under Part I of the Tax Act by an individual (other than certain trusts) will not be less than the minimum amount computed by reference to the individual's "adjusted taxable income" for the year. For these purposes, the minimum amount generally means the "appropriate percentage" (currently 15%) of adjusted taxable income in excess of \$40,000. In calculating adjusted taxable income for this purpose, certain deductions and credits otherwise available are disallowed and certain amounts otherwise not taxable are included in income. These disallowed items include deductions for CEE to the extent the deductions exceed the individual's resource income before deduction of those amounts, and deductions for carrying charges which relate to an investment in flow-through shares to the extent that such deductions exceed the individual's resource income after deductions for resource expenses, including CEE. Also included in adjusted taxable income are 80% of capital gains. Whether and to what extent a particular individual will be subject to minimum tax will depend upon the amount of the individual's income, the sources from which it is derived and the nature and amount of any deductions that are claimed. Any additional tax payable for a year resulting from the application of the minimum tax provisions is recoverable to the extent the tax otherwise determined exceeds the minimum amount for any of the following seven taxation years.

### **Dividends on Flow-Through Shares and Offered Common Shares**

A subscriber will generally be required to include in computing its income for a taxation year any dividends received (or deemed to be received) on Offered Common Shares or Flow-Through Shares.

In the case of a subscriber that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit rules for "eligible dividends", where those dividends have been properly designated as "eligible dividends" by the Corporation at or prior to the time the dividends are paid.

In the case of a subscriber that is a corporation, dividends received (or deemed to be received) on Offered Common Shares or Flow-Through Shares by the subscriber will generally be included in the subscriber's gross income for the taxation year in which such dividends are received and will generally be deductible in computing the subscriber's taxable income. A "private corporation", as defined in the Tax Act, or any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), may be liable to pay a refundable tax of 33 1/3% under Part IV of the Tax Act on dividends received (or deemed to be received) on Offered Common Shares or Flow-Through Shares to the extent such dividends are deductible in computing taxable income for the year.

### **Disposition of Offered Common Shares**

Any disposition or deemed disposition of Offered Common Shares by a subscriber (other than to the Corporation or on a tax-deferred exchange) will result in the realization of a capital gain (or capital loss) in the taxation year of the disposition to the extent the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base of the disposed property and any reasonable costs of disposition. The adjusted cost base of any Offered Common Shares acquired pursuant to this Offering will generally be the average of the cost of all such

shares in the Corporation including all other Common Shares and Flow-Through Shares held by the subscriber as capital property at that time. See "*Taxation of Capital Gains and Losses*" below.

### **Taxation of Capital Gains and Losses**

Generally, one-half of any capital gain (a taxable capital gain) must be included in computing the income of the subscriber in the year of disposition, and one-half of any such capital loss (an allowable capital loss) generally must be deducted against taxable capital gains realized by the subscriber in the year of disposition. Allowable capital losses in excess of taxable capital gains for the year of disposition generally may be deducted by the subscriber against net taxable capital gains realized in any of the three preceding years or in any subsequent year, subject to various detailed provisions of the Tax Act.

The amount of any capital loss realized by a subscriber that is a corporation on the disposition of a Offered Common Share or a Flow-Through Share may be reduced by the amount of dividends received or deemed to be received by it on such Offered Common Share or Flow-Through Share (or on a share for which the Offered Common Share or Flow-Through Share has been substituted) to the extent and under the circumstances described by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Offered Common Shares or Flow-Through Shares, directly or indirectly, through a partnership or a trust.

A subscriber that is, throughout the relevant taxation year, a "Canadian controlled private corporation" (as defined in the Tax Act) may be liable for a refundable tax of 6½% on its "aggregate investment income" (as defined in the Tax Act), including taxable capital gains.

### **CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES**

Other than as set forth in the AIF or below, to the knowledge of management of the Corporation, no director or executive officer of Strategic is, or has been in the last 10 years, a director, chief executive officer or chief financial officer of an issuer that, (i) while that person was acting in that capacity was the subject of a cease trade order or similar order or an order that denied the issuer access to any exemptions under securities legislation, for a period of more than 30 consecutive days, (ii) was subject to an event that occurred while that person was acting in the capacity of director, chief executive officer or chief financial officer, which resulted, after that person ceased to be a director, chief executive officer or chief financial officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (iii) while that person was acting in the capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Ms. Shelina Hirji, who is Vice President, Finance of the Corporation, was the Vice-President, Finance of Launch Resources Inc. when that company went bankrupt in 2005.

### **INTERESTS OF EXPERTS**

Certain legal matters relating to the Offering will be passed upon by Norton Rose Fulbright Canada LLP, on behalf of the Corporation, and by Torys LLP, on behalf of the Underwriters. The partners and associates of Norton Rose Fulbright Canada LLP, as a group, and the partners and associates of Torys LLP, as a group, own, directly or indirectly, less than 1% of the outstanding Common Shares. Mr. D. Richard Skeith, a partner of Norton Rose Fulbright Canada LLP, is a director of the Corporation.

Deloitte LLP, Chartered Accountants, are the auditors of the Corporation. Deloitte LLP has confirmed that they are independent of the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta. MNP LLP, Chartered Accountants, are the former auditors of the Corporation. MNP LLP has confirmed that they were independent of the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta during the time when they were auditors of the Corporation.

## ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS OR COMPANIES

Two directors of the Corporation, Thomas Claugus and John Harkins, reside outside of Canada. Messrs. Claugus and Harkins have appointed the following agent for services of process:

<b>Name of Director</b>	<b>Name and Address of Agent</b>
Thomas Claugus	Strategic Oil & Gas Ltd. 1100 - 645 7th Avenue S.W., Calgary, AB T2P 4G8
John Harkins	Strategic Oil & Gas Ltd. 1100 - 645 7th Avenue S.W., Calgary, AB T2P 4G8

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service.

### PURCHASERS' STATUTORY RIGHTS

Securities legislation in several of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

**CERTIFICATE OF THE CORPORATION**

September 30, 2013

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada other than Québec.

(Signed) "*Gurpreet Sawhney*"  
President and Chief Executive Officer

(Signed) "*Aaron Thompson*"  
Chief Financial Officer

**On Behalf of the Board of Directors**

(Signed) "*Rodger Hawkins*"  
Director

(Signed) "*D. Richard Skeith*"  
Director

**CERTIFICATE OF THE UNDERWRITERS**

September 30, 2013

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada other than Québec.

RAYMOND JAMES LTD.

(Signed) "*Gregg Delcourt*"

MACQUARIE CAPITAL MARKETS CANADA  
LTD.

(Signed) "*Robert F. Colcleugh*"

DUNDEE SECURITIES LTD.

(Signed) "*Tony P. Loria*"

FIRSTENERGY CAPITAL CORP.

(Signed) "*Dean Willner*"

NATIONAL BANK FINANCIAL INC.

(Signed) "*Arun Chandrasekaran*"

PARADIGM CAPITAL INC.

(Signed) "*Mark Reynolds*"

PI FINANCIAL CORP.

(Signed) "*Arthur H. Kwan*"