

1211901 ALBERTA LTD.

700, 444 – 5 Avenue SW
Calgary, AB T2P 2T8

March 16, 2011

Formcap Corp.
50 West Liberty Street, Suite 880
Reno, NV 89501
USA

Attn: Graham Douglas, President

Re: Seismic Option, Farm-out and Participation Agreement
T49 R15 W5M: Section 6
Peco Area, Alberta

Further to our recent discussions between our respective companies, this letter is to set forth the terms of a seismic option, farm-out and participation agreement among the parties hereto with respect to certain lands in the subject area, the terms of which are as follows:

1. Definitions:

Each capitalized term used in this Head Agreement will have the same meaning given to it in the Farmout and Royalty Procedure and, in addition:

- (a) "Commencement Date" means November 1, 2011.
- (b) "Contract Depth" means a depth sufficient to penetrate 15m into the Leapark formation or two thousand (2,000) metres subsurface whichever shall first occur.
- (c) "Farmout Lands" means the lands described as such in Schedule "A".
- (d) "Farmee" means Formcap Corp.
- (e) "Farmor" means 1211901 Alberta Ltd.
- (f) "Farmout and Royalty Procedure" means the CAPL 1997 Farmout and Royalty Procedure with the elections and insertions as set forth in Schedule "B" hereto.

- (g) "Assignment Procedure" means the CAPL 1993 Assignment Procedure which by reference is deemed to be incorporated herein and made a part hereof.
- (h) "AMI" is the Area of Mutual Interest as defined in (k) which will be in force for 1 year from rig release date of the Test well in the after payout interests which are 1211901 Alberta Ltd. (20%) and Formcap Corp. (20%).
- (i) The AMI consists of Sec 5,6,7,8 Twp 49 Rge 15 W5, Sec 1,12 Twp 49 Rge 16 W5, Sec 31, 32 Twp 48 Rge 15 W5, Sec 36 Twp 48 Rge 16 W5 as shown on the attached map, Schedule "D".

2. Schedules:

The following Schedules are attached to and form a part of this Agreement:

- (a) Schedule "A" which describes the Title Document, the Farmout Lands and the Encumbrances;
- (b) Schedule "B" which is the elections and insertions under the Farmout and Royalty Procedure;
- (c) Schedule "C" which is the elections and insertions under the 1990 CAPL Operating Agreement.
- (d) Schedule "D" which is a map of the AMI.

3. Three Dimensional (3D) Seismic Option:

The Farmee shall commence the shooting of a 3D seismic program on the Farmout Lands not later than June 1, 2011 the specifications of which are to be approved in writing by the Farmor prior to shooting. Thereafter, the Farmee shall have sixty (60) days to elect to drill a Test Well as defined in item 4 below. Farmee to deliver to Farmor two (2) copies processed seismic upon receipt.

4. Test Well:

- (a) On or before the Commencement Date, Farmee will spud a well ("the Test Well") on the Farmout Lands and shall thereafter diligently and continuously drill the Test Well to Contract Depth and complete and equip, cap or abandon same, all in accordance with good oilfield practice and the Operating Agreement.
- (b) Subject to Article 3.00 of the Farmout and Royalty Procedure, the Farmee will earn one hundred percent (100%) of the Farmor's Pre-farmout Working Interest in the Test Well (40% Working Interest) spacing unit, subject to the reservation to the Farmor of a gross overriding royalty of ten percent (10%) based on the Farmees' earned interest share of production from the Test Well spacing unit. Such gross overriding royalty shall be convertible following payout of the Test Well, at Farmor's option. Should Farmor elect to convert such gross overriding royalty to a working interest then Farmee's interest earned in the Test Well spacing unit shall reduce to fifty percent (50%) of Farmor's Pre-farmout Working Interest (20% Working Interest). In addition the Farmee will earn fifty percent (50%) of

Farmor's Pre-Farmout Working Interest in the balance of the Farmout Lands, excluding the Test Well spacing unit.

- (c) Following earning as aforesaid the Royalty Procedure shall come into full force and effect with respect to the Test Well spacing unit and shall govern the relationship between the Farmor and Farmee.

5. Operating Procedure:

For the purposes of drilling the Test Well hereunder the Operating Agreement shall be in force and effect as between Farmee and Participant and specifically Article 903 A shall be in effect with respect to completion of any such Test Well. Following earning hereunder by the Farmee, the Operating Agreement will come into force and effect with respect to any of the Farmout Lands held jointly by the parties hereto and will govern the relationship of those parties with respect to such lands.

6. Amendment to the Limitations Act:

The two year period for seeking a remedial order under section 3(1)(a) of the *Limitations Act*, s.a. 1996 c. L-15.1, as amended, for any claim (as defined in that Act) arising in connection with this Agreement is extended to:

- a. for claims disclosed by an audit, two years after the time this agreement permitted that audit to be performed; or

for all other claims, four years.

This Agreement may be executed in counterpart. All of the executed counterpart pages when taken together will constitute the Agreement. Provided you are in agreement with the foregoing so indicate by signing and dating your copy of this agreement and all counterpart pages and returning the signed counterpart to this office at your earliest convenience.

Yours truly,

1211901 Alberta Ltd.

By: / S / Norman Mackenzie

Norman Mackenzie
President

Accepted and Agreed to this ____ day of _____, 2011

By : / S / Graham Douglas

Graham Douglas, President

Formcap Corp.

Schedule "A"

To an Agreement dated March 16, 2011 between 1211901 Alberta Ltd. and Formcap Corp.

Title documents:

Farmout Lands

[illegible]

Farmor's Pre-farmout interest: 40%

Encumbrances: 1) Crown SS Royalty

Schedule "B"

To an Agreement dated March 16, 2011 between 1211901 Alberta Ltd.
and Formcap Corp.

Farmout and Royalty Procedure Elections and Amendments

1. Effective date (sub clause 1.01(f)- March 16, 2011
2. Payout (sub clause 1.01(t), if article 6.00 applies- Alternate A- X
Alternate B- _____

Alternate B options, if applicable- XXXm3 of equivalent production and __ Years
3. Incorporation of Clauses from 1990 CAPL Operating Procedure (clause 1.02)
 - (i) Insurance Alternate A _X_ Alternate B _____
4. Article 4.00 (option wells) will ___/will not __X__ apply.
5. Article 5.00 (overriding royalty) will _X_/ will not _____ apply.\
6. Quantification of (Overriding Royalty) (sub clause 5.01A, if applicable)
 - i) Crude oil (a) - Alternate - _1_
if Alternate 1 applies _10__ %
if Alternate 2 applies,
 - ii) Other (b) - if Alternate __1__
-if Alternate 1 applies _10__ %
- If Alternate 2 applies ___ in (i) and ___ in (ii)
7. Permitted Deductions (sub clause 5.04B, if applicable)- Alternate- __1__
8. Article 6.00 (conversion of Overriding Royalty)- will _X_/ will not ___ apply
If article 6.00 applies, conversion to 50% of Working Interest in Sub clause 6.04A
9. Article 8.00 (Area of Mutual Interest)- will _X_/ will not _____ apply
10. Reimbursement of Out of Pocket Costs (Surface lease acquisition and Construction Costs and Land maintenance Cost (clause 11.02) will _ will not
__X__
Apply.

Schedule "C"

OPERATING PROCEDURE

To an Agreement dated March 16, 2011 between 1211901 Alberta Ltd. and Formcap Corp.

1990 CAPL OPERATING AGREEMENT

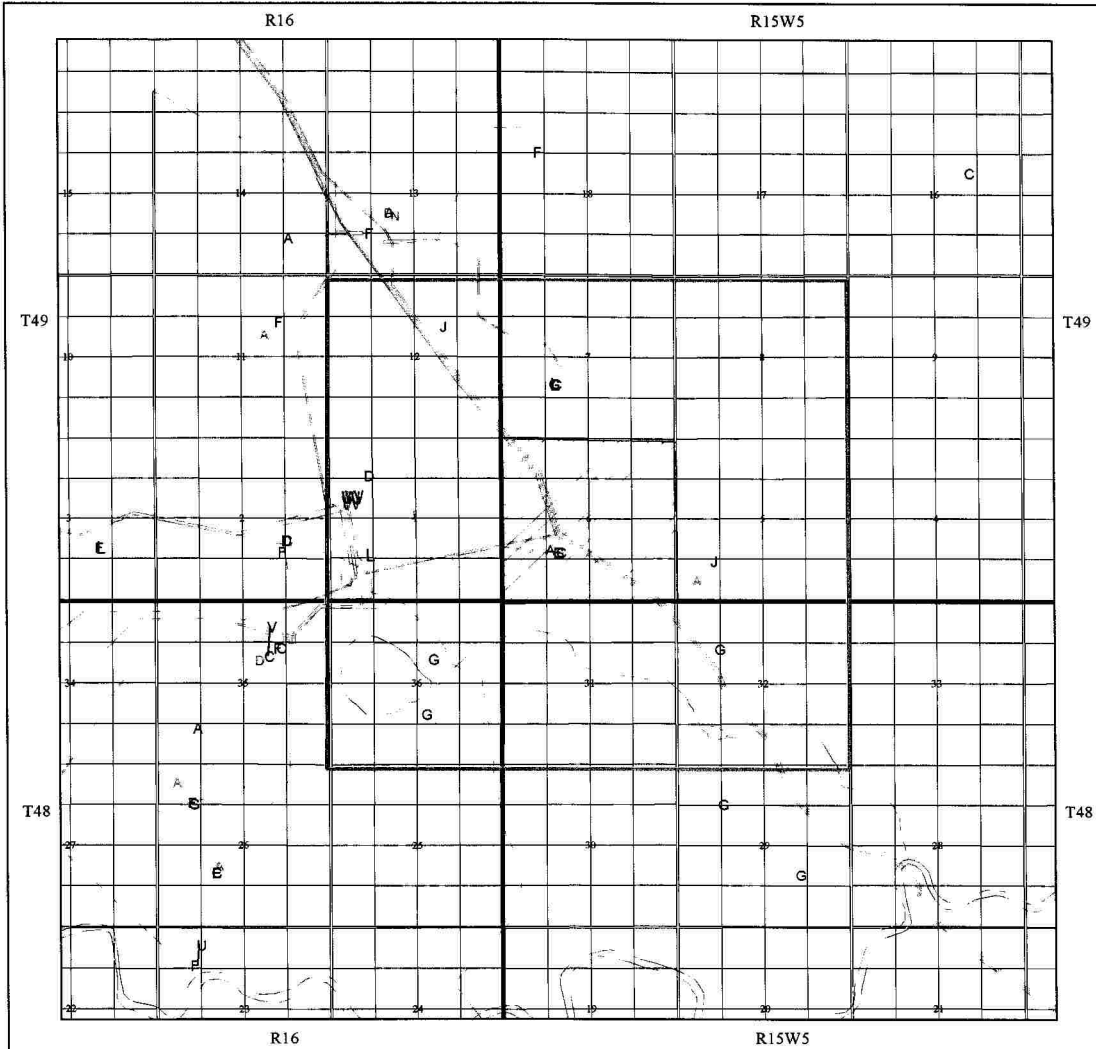
- I. Operator: 1211901 Alberta Ltd.
- II. Insurance Clause 311: A (Recoverable from Participants)
- III Marketing Fee Clause 604: A Replace 2.5% with 3%
- IV Casing point election: A
- V Penalty for Independent Operations Clause 1007;
 - (a) Development wells 300%
 - (b) Exploratory wells 500%
- VI Title Preserving Wells Clause 1010; (a) (iv) 120 days
- VII Disposition of Interests Clause 2401: A
- VIII Recognition Upon Assignment Clause 2404: deleted and replace by CAPL Assignment Procedure

PASC (revised) 1988 ACCOUNTING PROCEDURE

- I. Operating: Advances Clause 105: 10% of an approved forecast of expenditures
- II. Approvals Clause 110: 2 or more parties totaling 66%
- III. Labour 202(b)(1) and 202(b)(2)
 - 202(b)(1) second Level Supervisors shall ___/shall not X be chargeable
 - 202(b)(2) Technical Employees shall ___/shall not X be chargeable
- IV. Employee Benefits Clause 203(b): 22%

- V. Warehouse Handling Clause 217 (a)(1):
2.5% for tubular goods 50.8cm and over; and each other item of material having a new price in excess of \$5,000.00
Clause 217(a)(1): 5% of the cost of all other materials
- VI. Overhead:
1. Clause 302
 - (a) For each Exploratory Project
 - 1) 5% of first \$50,000.00
 - 2) 3% of next \$100,000.00
 - 3) 1% of cost exceeding 1) and 2)
 - (b) For each drilling well
 - 1) 3% of first \$50,000.00
 - 2) 2% of next \$100,000.00
 - 3) 1% of cost exceeding 1) and 2)
 - (c) For each Construction Project
 - 1) 5% of first \$50,000.00
 - 2) 3% of next \$100,000.00
 - 3) 1% of cost exceeding 1) and 2)
 - (d) For Operation and Maintenance
 - 1) ___ % of the cost of Operations and Maintenance of the Joint Property and:
 - 2) \$400.00 per producing well per month: or
 - 3) \$___ flat rate per month for producing, injection and water source operations.
- The rate in sub clause (d)(2) and /or (d)(3) herein will X / will not ___ be adjusted
- VII. Pricing of Joint Material Purchases, Transfers and Dispositions (Article IV):
\$25,000.00 for requiring approval
- VIII. Periodic inventories Clause 501: 5 year intervals

Schedule "D"



| WELL LEGEND | |
|------------------------|-------------------|
| Bottom Hole Locations: | |
| A Location | C Suspended |
| D Service or Drain | E Oil |
| F Gas | G Dry & Abandoned |
| J Abandoned Oil | L Abandoned Gas |
| Well Postings: | |
| MNTN(S-Sub) (m) | |
| F | |

| STD PIPELINES LEGEND | |
|----------------------|--|
| Pipeline Substances: | |
| Natural Gas | |

Apex Energy(Canada) Inc.

Peco Area Sec 6 T 49 R15W5
AMI Green Highlight

| | |
|---|--|
| Created in AutoMap™ Product of IHS Energy Datum: NAD 27 Vol 14 No. 02, Feb 31 2006 (NFS) 170-4546 | Author: WGW Date: March 2, 2006 File: Peco area 6-48-15w5 am1.MAP Scale: 1:50000 Projection: Stereographic Center: N53.12852 W116.18692 |
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