

February \_\_, 2008

Patch International Inc.  
Suite 1670, 700 - 2<sup>nd</sup> Street SW  
Calgary, AB  
T2P 2W1

**Attention:**

Dear Sirs:

**Re: Possible Transaction between \_\_\_\_\_ and Patch International Inc. ("Patch")**

In connection with your analysis of a possible Transaction (as defined below) between Patch and you and/or your subsidiaries, you have requested or will be requesting from Representatives (as defined below) of Patch (which may also be referred to as the "Disclosing Party") certain Confidential Information (as defined below) in respect of Patch and its assets and operations.

In consideration of the Disclosing Party furnishing you with or providing you access to certain confidential information, Patch requires your agreement to the provisions of this agreement (it being understood that you are also agreeing to cause your Representatives to comply with the applicable provisions hereof). Where the terms "**you**" and "**your**" are used in this agreement, the same shall be construed as including your affiliates and associates, and your or your affiliates' and subsidiaries' directors, officers, employees or any agent, advisor, counsel, dealer, broker or consultant ("**Representatives**"). The terms "affiliates" and "associates" shall have the meaning as defined the *Business Corporations Act* (Alberta).

1. **Use of Confidential Information.** You agree during the Term (as defined in Paragraph 13 below): (i) that the Confidential Information will be used solely for the purpose of evaluating a possible transaction or series of transactions whereby all of the issued and outstanding shares of Patch are offered to be purchased, exchanged or otherwise acquired, directly or indirectly, by you or any of your subsidiaries or whereby such shares are or become subject to any amalgamation, arrangement, merger or similar transaction which directly or indirectly results in any business combination with you or any of your subsidiaries or whereby all or any portion of the properties or operations of Patch are to be acquired directly or indirectly by you or any of your subsidiaries (a "**Transaction**"); (ii) not to use, exploit or employ the Confidential Information for any other purpose or in any other manner; (iii) subject to the terms hereof, to keep the Confidential Information fully secret and confidential; and (iv) not copy or reproduce any written materials comprising a part of the Confidential Information, except for the use of your Representatives, without the prior written consent of Patch. Unless and until you have completed a Transaction with Patch, all the Confidential Information will be kept confidential by you and will not be disclosed to any other individuals, firms, corporations, trusts or other entities (a "**Person**") in any manner; provided that you may disclose the Confidential Information or portions thereof to those of your Representatives who need to know such information for the purpose of evaluating a possible Transaction involving you and Patch (it being understood that such Representatives shall be informed by you of the confidential nature of such information and that you shall require such Representatives to be bound by the terms of this agreement to the

same extent as if they were parties hereto). You agree to be responsible for any breach of this agreement by any of your Representatives.

2. ***Legally Required Disclosures.*** In the event that you or any of your Representatives is requested or required (by deposition, interrogatory, request for information or documents in legal proceedings, subpoena, civil investigative demand or similar process, in connection with any proceeding) to disclose any of the Confidential Information, you shall, unless prohibited by law or legal process, provide Patch with prompt prior written notice of such request or requirement so that Patch may seek an appropriate protective order or other remedy and/or waive compliance with the provisions of this agreement and you shall cooperate with Patch so that Patch may obtain such protective order. In the event that such protective order or other remedy is not obtained, or Patch waives compliance with the relevant provisions hereof, you or such Representatives, as the case may be, may disclose only that portion of the Confidential Information that, in the written opinion of your outside counsel, is legally required to be disclosed and shall exercise your, his or its reasonable efforts to obtain assurances that confidential treatment will be accorded such Confidential Information.
  
3. ***Definition of Confidential Information.*** The term "**Confidential Information**" as used in this agreement means all information (including, but not limited to, reports, evaluations, notes, analyses, documents, financial results, budgets, forecasts, corporate information, marketing materials, budget information, geological, geophysical, geochemical, well, prospect, land, lease, environmental, staff, management and engineering information, seismic data and logs, core samples, land schedules and other documentation furnished or made available to you in data books or data rooms (including virtual data rooms) or otherwise in written, oral or electronic form, that any Disclosing Party furnishes or otherwise discloses to you or any of your Representatives in the course of your evaluation of a possible Transaction with Patch (in whatever form communicated or maintained, whether documentary, computer storage or otherwise)), which contains or otherwise reflects information concerning Patch or its affiliates or subsidiaries or its or their respective business, assets, liabilities, operations, prospects, activities, affairs, financial or other condition. The term "**Confidential Information**" shall also include all reports, analyses, notes, studies, forecasts, compilations or other information (including those prepared by you or your Representatives) that are based on, contain or reflect any Confidential Information and regardless of the identity of the person preparing the same and in whatever form ("**Notes**"). The term "**Confidential Information**" does not include any information that: (i) is now in the public domain or hereinafter (and then only after such date) becomes a part of the public domain, other than as a result of any act, failure or omission by you or your representatives in breach of the terms set forth herein, provided that specific items of Confidential Information shall not be considered to be in the public domain merely because more general information is in the public domain; or, (ii) is already known to you (as evidenced by your written records) prior to disclosure by the Disclosing Party and is not subject to any obligation of confidence to the Disclosing Party; or (iii) was lawfully acquired by you from a third-party (as evidenced by your written records) who, in so disclosing Confidential Information did not breach any obligation or confidence.

4. ***Return of Materials.*** You will keep a record of all Confidential Information provided to you and the location thereof. If you decide that you do not wish to proceed with a Transaction with Patch, or if Patch decides that it does not wish to proceed with a Transaction with you, you will promptly notify Patch or Patch will promptly notify you of that decision. In that case, or if Patch shall elect at any time to terminate further access by you to the Confidential Information for any reason, you will: (i) return promptly to Patch all copies of the Confidential Information then in your possession or in the possession of any of the Representatives without retaining copies or other reproductions, reports, extracts, notes or other memoranda thereof (whether electronic, magnetic or otherwise), (ii) destroy all Notes in a manner that ensures the same may not be retrieved or undeleted by you or any Representative, and (iii) upon written request deliver to Patch a certificate executed by one of your duly authorized senior officers indicating that the requirements of this paragraph 4 have been complied with and satisfied in full. Notwithstanding the return or destruction of Confidential Information and Notes, you and your Representatives will continue to be bound by your obligations of confidentiality and all other obligations hereunder, including that you shall not use any of the Confidential Information in furtherance of any aspect of your business.
  
5. ***Nondisclosure of Possible Transaction.*** Without the prior written consent of Patch, you will not, and will direct and cause your Representatives not to, disclose to any person or any affiliate thereof, unless specifically set out herein: (i) that Confidential Information has been made available to you, (ii) that discussions or negotiations are or were taking place concerning a possible Transaction between Patch and you, (iii) any opinion or comment with respect to the Confidential Information, (iv) the terms, conditions or other facts with respect to any such possible Transaction or actions, including the status thereof; provided, however, that you may make such disclosure if you have received the written opinion of outside counsel that such disclosure must be made by you in order that you not commit a violation of law, regulation or rule of any stock exchange and, prior to such disclosure, you promptly advise and consult with Patch and its legal counsel concerning the information you propose to disclose and provided further that you may make such disclosure in the event that Patch has made substantially such information public or publicly available. It is understood that neither this agreement nor the disclosure of any Confidential Information to you shall be construed as granting to you or any of your Representatives either expressly or by implication any licence, rights or interest in respect of any part of the Confidential Information.
  
6. ***Contacts with Patch Personnel.***
  - (a) Until the earliest of: (i) the execution by you of a Definitive Agreement (as defined in Paragraph 9 below), or (ii) until the expiration of the Term, you agree not to initiate or maintain contact (except for those contacts made in the ordinary course of business or in connection with your review of the Confidential Information) with any officer or employee of Patch regarding its business, assets, operations, prospects or finances, except with the express permission of a duly authorized executive officer of Patch.
  
  - (b) If you wish to have physical access to any of Patch's properties, you agree to indemnify, defend and hold harmless Patch, its affiliates and subsidiaries from and against any and all liabilities, claims and causes of action for personal injury, death or property damage occurring on such property as a result of your entry and visitation onto the premises.

- (c) You shall defend, indemnify and hold harmless Patch and its joint venture participants from and against all damages, claims or lawsuits to property of Patch or injuries or deaths to you, regardless of whether such damages, injuries or death result in whole or in part from the gross negligence of Patch, its agents, servants and employees.
  - (d) You agree to comply fully with all rules, regulations and instructions by Patch regarding your actions while upon, entering or leaving any of the properties.
7. **No Representation or Warranty.** Patch makes no representation or warrants, expressed or implied as to the accuracy or completeness of the Confidential Information and neither Patch nor any of their respective officers, directors, employees or representatives will have any liability whatsoever to you or to any other Person resulting from its use of the Confidential Information. You agree that neither Patch nor any officer, director, employee, consultants, agent or advisor of Patch, shall have any liability whatsoever for any errors in or omissions from or for any damages resulting from the use of the Confidential Information. You will rely solely on your own interpretations and analysis related thereto. Only representations and warranties as are contained in the Definitive Agreement with respect to a Transaction, will, if executed and delivered by Patch (and subject to such conditions or limitations or restrictions as may therein be specified) have any legal effect.
8. **Standstill.** During the Term, you (including any person or entity, directly or indirectly, through one or more intermediaries, controlling you, under common control with you, controlled by you or acting jointly or in concert with you) shall not, without the specific prior approval of the board of directors of Patch, which approval may be given on such terms as the board of directors of Patch may determine:
- (a) in any manner acquire, agree to acquire or make any proposal or offer to acquire or solicit offers to sell, directly or indirectly, any securities or property of the Disclosing Party or any of its Affiliates or Associates other than property transferred in the ordinary course of business;
  - (b) propose or offer to enter into, directly or indirectly, any merger or business combination involving the Disclosing Party or any of its Affiliates or Associates or to purchase, directly or indirectly, a material portion of the assets of the Disclosing Party or any of its Affiliates or Associates;
  - (c) directly or indirectly, "solicit", or participate or join with any Person in the "solicitation" of, any "proxies" (as such terms are defined in the *Securities Act* (Alberta) as the same may be amended from time to time) to vote, to seek to advise or to influence any Person with respect to the voting of any voting securities of the Disclosing Party;
  - (d) otherwise act alone or in concert with others to seek to control or to influence the management, board of directors or policies of the Disclosing Party;
  - (e) make any public or private disclosure of any consideration, intention, plan or arrangement inconsistent with any of the foregoing;

- (f) advise, assist or encourage (including by knowingly providing or arranging financing for that purpose) any other Person in connection with any of the foregoing;
- (g) solicit for employment any employee of the Disclosing Party (whose employment has not been terminated by the Disclosing Party) excluding general advertising or posting of positions in the ordinary course of business;
- (h) publicly or privately announce, disclose, reveal or otherwise evidence any intention or desire to do any of the foregoing. The foregoing shall not prevent any Representative who is a registered broker-dealer customarily engaged in the arbitrage or trading business from:
  - (i) purchasing or selling securities of the Disclosing Party in the ordinary course of such business in compliance with applicable law, with all trading decisions being made by individuals who have neither received any Confidential Information nor become aware of the possibility of a Transaction (provided that in no event shall such Representative, together with its Affiliates, acquire beneficial ownership of 2% or more of any class of the outstanding voting securities of the Disclosing Party); or
  - (ii) making margin loans in the ordinary course of its business in connection with the acquisition by any Person or group of Persons of less than 2% beneficial ownership of any class of the outstanding voting securities of the Disclosing Party.

You hereby represent and warrant to Patch that, as at the date of this agreement, you (including any person or entity, directly or indirectly, through one or more intermediaries controlling you, under common control with you, controlled by you or acting jointly or in concert with you) do not own, control or have any rights in respect of a material number of securities of Patch. For the purposes of this paragraph, "material" means 1% or more of the total outstanding securities of Patch.

9. ***Definitive Agreement.*** You also understand and agree that no contract or agreement providing for a Transaction shall be deemed to exist unless and until a definitive agreement with respect thereto has been executed and delivered by you and Patch ("**Definitive Agreement**"), and you hereby waive, in advance, any claims (including, without limitation, breach of contract) in connection with such Transaction unless and until a Definitive Agreement has been executed by you and Patch. It is also agreed that unless and until a Definitive Agreement has been executed by Patch and you with respect to a Transaction involving Patch, none of Patch, its shareholders, or its Representatives has any legal obligation of any kind whatsoever with respect to any such Transaction or the process for a possible Transaction by virtue of this agreement or any other written or oral expression with respect to such a Transaction except, in the case of this agreement, for the matters specifically agreed to herein. Unless and until a Definitive Agreement between Patch and you has been executed and delivered, you understand that: (i) Patch shall conduct the process for a possible Transaction as it in its sole discretion shall determine, (ii) any procedures relating to such Transaction may be changed at any time without notice to you, (iii) Patch shall have the right to reject or accept any proposal or offer, for any reason whatsoever, in its sole discretion, and (iv) Patch shall have the right to terminate discussions and negotiations with you at any time. For purposes of this

paragraph 9, the term “**Definitive Agreement**” does not include an executed letter of intent or any other preliminary written agreement, nor does it include any written or oral offer or bid on your part or any written or oral acceptance thereof. You further agree that the entering into of this agreement by Patch does not constitute the agreement of Patch to agree to or to recommend to its shareholders any Transaction.

10. **Securities Laws.** You hereby acknowledge that you are aware, and that you will advise your Representatives who are informed as to the matters that are the subject of this agreement, that Canadian and United States securities laws prohibit any person who has material, non-public information concerning the matters which are the subject of this agreement from purchasing or selling securities of Patch or from communicating such information to any other person before the material fact or material change has been generally disclosed.
11. **Liability.** Without limitation and in addition to any other rights that Patch and its Representatives may have against you arising by reason of any breach of this agreement, you shall:
  - (a) be liable to each of Patch and its Representatives for all claims, liabilities, damages, costs, losses and expenses (including legal, accounting and other professional and advisory costs, expenses, fees and disbursements, with legal fees on a complete indemnity basis) whatsoever which they may suffer, sustain, pay or incur; and
  - (b) indemnify and hold harmless Patch and its Representatives and their respective trustees, directors, officers, employees and agents from and against any and all claims, liabilities, damages, costs, losses and expenses whatsoever which may be brought against or suffered by them or which they may suffer, sustain, pay or incur;

in respect of all matters or anything, which may arise out of any act or omission, directly or indirectly, related to any breach by you or your Representatives of this agreement or arising out of or resulting from any unauthorized use or disclosure by you or your Representatives of the Confidential Information. You acknowledge that Patch is constituted as trustee of your covenants under this paragraph 11 for the benefit of Patch’s Representatives and their respective directors, officers, employees and agents and that Patch or its Representatives shall be entitled to enforce such covenants on behalf of such persons.

12. **Remedies.** You agree that: (i) money damages would not be a sufficient remedy for any breach of this agreement by you or your Representatives, (ii) that, in addition to any other remedies at law or in equity that Patch may have, Patch shall be entitled to equitable relief, including injunction and specific performance, in the event of any breach of the provisions of this agreement, in addition to all other remedies available to Patch at law or in equity and (iii) you shall waive, and use your reasonable efforts to cause your Representatives to waive, any requirement for the securing or posting of any bond in connection with such remedy. You consent to any preliminary applications for such relief to any court of competent jurisdiction. The prevailing party shall be reimbursed for all costs and expenses, including reasonable legal fees (on a solicitor-client basis), incurred in enforcing the other party’s obligations hereunder. Such remedies shall not be deemed to be exclusive remedies for the

breach of this agreement but shall be in addition to all other remedies at law or in equity.

13. **Term.** The term of this agreement shall be twelve (12) months commencing on the date hereof (the "**Term**") or until such time as all of the Confidential Information becomes part of the public domain through no breach of this Agreement, whichever occurs first (other than the provisions of paragraph 4, 6 (c), 11, 12 and this paragraph 13, which will survive the expiration of the Term).
14. **No Waiver - Entire Agreement.** It is further understood and agreed that no failure or delay in exercising any right, power or privilege hereunder will operate as a waiver thereof; nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. This agreement represents the entire understanding of the parties with respect to the matters referred to herein and supersedes all prior understandings, written or oral, between the parties with respect thereto.
15. **Amendments.** All modifications of and amendments to this agreement or any part hereof must be in writing signed on behalf of you and Patch. Waivers of any terms and provisions of this agreement shall be in writing and shall specifically refer to the paragraphs or provisions that are waived.
16. **Notices.** All notices to be given to a party hereunder shall be in writing and delivered personally, by overnight courier or by facsimile, addressed, in the case of Patch, to the Chief Operating Officer, Patch International Inc., Suite 1670, 700 - 2<sup>nd</sup> Street S.W., Calgary, Alberta, T2P 2W1, and, in the case of you, to the addressee at the address set forth on the face page hereof.
17. **Severability.** In the event that any provision or portion of this agreement is determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by applicable law.
18. **Assignment.** Patch reserves the right to assign all or any of the benefits under this agreement including, without limitation, the right to enforce any or all of the terms of this agreement with respect to the unauthorized use or disclosure by you or your Representatives of the Confidential Information to such parties as it deems appropriate. This agreement shall not be assignable by you without the prior written consent of Patch.
19. **Governing Law and Attornment.** This agreement shall be governed by and construed in accordance with the laws of the Province of Alberta. You hereby irrevocably and unconditionally consent to and submit to the exclusive jurisdiction of the courts of Alberta for any actions, suits or proceedings arising out of interpretation or enforcement of this agreement (and you agree not to commence any action, suit or proceeding relating thereto except in such courts) and further agree that service of any process, summons, notice or document by personal delivery to your address set forth above shall be effective service of process for any action, suit or proceeding brought against you in any such court. You hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this agreement or the matters contemplated hereby in the courts of Alberta and hereby further irrevocably and unconditionally

waive and agree not to plead or claim in any such court that any such action, suit or proceeding so brought has been brought in an inconvenient forum.

20. **Miscellaneous.** This agreement shall be binding upon and enure to the benefit of the parties hereto and to their respective successors and permitted assigns. This agreement may be executed in any number of counterparts and each such counterpart shall be deemed to be an original instrument but all of which taken together shall constitute one and the same agreement. Delivery of counterparts may be effected by means of facsimile transmission.

Please confirm that the foregoing correctly sets forth our agreement by signing this agreement in the space provided and returning one copy to us for our files. Please retain the second copy for your files.

Yours truly,

**PATCH INTERNATIONAL INC.**

Per:

ACCEPTED AND AGREED TO this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

Per

**Officer's Signature:**

**Officer's Name:**

**Officer's Title:**

**Full Company Name:**