Execution Copy

FALCON OIL & GAS LTD.

and

COMPUTERSHARE TRUST COMPANY OF CANADA

Trust Indenture

Dated: June 30, 2009

Aird & Berlis LLP
Brookfield Place
181 Bay Street - Suite 1800
Toronto, Ontario
M5J 2T9

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LIST OF SCHEDULES:

TRUST INDENTURE

THIS TRUST INDENTURE is made as of the 30th day of June, 2009,

B E T W E E N:

> **FALCON OIL & GAS LTD.**, a corporation incorporated pursuant to the laws of the province of British Columbia (the "**Corporation**"),
>
> - and -
>
> **COMPUTERSHARE TRUST COMPANY OF CANADA,** a trust company established under the laws of Canada (the "**Trustee**").

WHEREAS the Corporation deems it necessary in order to finance its operations, expansion and working capital requirements, to create and issue the Debentures (as hereinafter defined) in the manner set forth in this Indenture (as hereinafter defined);

AND WHEREAS the Corporation has done and performed all things necessary to make the Debentures, when issued by the Corporation and certified by the Trustee as herein provided, legal, valid and binding obligations of the Corporation with the benefits and subject to the terms of this Indenture and all other amounts that may be owing under this Indenture or any Supplemental Indenture (as hereinafter defined);

AND WHEREAS the Corporation intends to issue Debentures as direct evidence of indebtedness of the Corporation, to be issued under the terms of this Indenture;

AND WHEREAS the foregoing recitals are made as representations and statements of fact by the Corporation and not by the Trustee;

NOW THEREFORE THIS INDENTURE WITNESSETH that in consideration for the premises, covenants and agreements contained herein and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each Party (as hereinafter defined)) the Parties hereto agree as follows:

ARTICLE 1 - DEFINITION AND INTERPRETATION

1.1 Definitions.

The following terms, for all purposes of this Indenture (including the recitals hereto), any indenture amendatory or supplemental hereto, the Debentures and any certificate, opinion or other document herein or therein mentioned, shall have the meanings herein specified unless the context clearly indicates otherwise:

"**Affiliate**" for the purposes of this Indenture, a Person is an affiliate of another Person if:

(a) one of them is the Subsidiary of the other; or

(b) each of them is Controlled by the same Person.

"**Applicable Law**" means, in respect of any Person, property, transaction or event, all present or future applicable laws, statutes, regulations, treaties, judgments and decrees and all present or future applicable published directives, rules and orders of any governmental, regional, municipal or local bodies having authority over any of the Parties and all applicable orders and decrees of courts and arbitrators of like application.

"**Authorized Officer**" means with respect to the Corporation any person who is either a director, officer or a Person designated by a certificate signed by an Authorized Officer as provided above and filed with the Trustee.

"**Automatic Conversion**" means the automatic conversion by the Corporation of the Debentures pursuant to Section 5.2 hereof.

"**Automatic Conversion Date**" means the business day that is five days after the Automatic Conversion Trigger Date.

"**Automatic Conversion Notice**" means the conversion notice substantially in the form attached as Schedule "C" hereto.

"**Automatic Conversion Trigger Date**" means the date, occurring during the two year period following the Subscription Date, upon which the volume weighted average trading price of the Common Shares on the TSXV has been $0.85 or greater for 20 consecutive trading days.

"**BEO Participants**" means institutions that participate directly or indirectly in the Depositary's book entry registration system for the Debentures.

"**BIA**" means the *Bankruptcy and Insolvency Act* (Canada), as amended and in effect from time to time.

"**Business Day**" means a day, excluding Saturday, Sunday or any other day on which banking institutions are required or permitted by law to be closed for normal business in Toronto, Ontario or Vancouver, British Columbia.

"**CCAA**" means the *Companies' Creditors Arrangement Act* (Canada), as amended and in effect from time to time.

"**Change of Control**" means, and is effective upon: (i) the acquisition by any person or groups of persons acting jointly or in concert, directly or indirectly, in a single transaction or a series of related transactions, of voting securities of the Corporation giving such person beneficial ownership, voting control or direction over more than 50.1% of the aggregate voting rights attached to the Corporation's voting securities; (ii) the acquisition by any person (other than the Corporation or any of its Subsidiaries) or one or more members of a group of persons acting jointly or in concert (other than a group consisting solely of two or more of the Corporation and any of its Subsidiaries), directly or indirectly, in a single transaction or a series of related transactions, of all or substantially all of the assets of the Corporation and its Subsidiaries, taken as a whole; or (iii) the completion of a merger, amalgamation, arrangement or similar transaction which results in holders of the voting rights attached to the Common Shares prior to the completion of the transaction holding less than 50.1% of the voting securities of the resulting entity (as measured by voting power and not by number of securities) after the completion of the transaction.

"**Change of Control Offer to Redeem**" means the offer to redeem by the Corporation upon a Change of Control.

"**Change of Control Redemption**" means the redemption by the Corporation of the Debentures pursuant to Article 6 hereof.

"**Change of Control Redemption Date**" means the date the Debentures are redeemed as part of a Change of Control Offer to Redeem.

"**Change of Control Redemption Price**" means the principal and interest then outstanding on the Debenture on the Change of Control Redemption Date.

"**Common Shares**" means the common shares in the capital of the Corporation.

"**Control**" for the purposes of this Indenture, a Person shall be deemed to be controlled by another Person or by two or more Persons if:

(a) voting securities of the first-mentioned Person carrying more than 50 percent of the votes for the election of directors are held, other than by way of security only, by or for the benefit of such other Person or by or for the benefit of such other Person; and

(b) the votes carried by such securities are sufficient, if exercised, to elect a majority of the board of directors of the first-mentioned Person.

"**Conversion**" means a conversion of the Debentures pursuant to Article 5.

"**Conversion Amount**" has the meaning ascribed thereto in Article 5.

"**Conversion Date**" means the date on which a Conversion occurs.

"**Conversion Notice**" means the Optional Conversion Notice or the Automatic Conversion Notice, as the case may be.

"**Conversion Price**" means $0.60 per Common Share (subject to adjustment in accordance with Article 8 hereof).

"**Corporate Reorganization**" means, in respect of a corporation, any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other Person or group of Persons whether by way of arrangement, reorganization, consolidation, amalgamation, merger, continuance under any other jurisdiction of incorporation or otherwise.

"**Counsel**" means a barrister and solicitor or attorney (including a barrister and solicitor or attorney who is an employee of the Person it represents or firm of barristers and solicitors or attorneys and successors and assigns of any counsel), in each case selected by the Person it represents and acceptable to the Trustee.

"**Date of Conversion**" means the date of conversion of one or more Debentures to Common Shares in accordance with Article 5 hereof.

"**Debenture**" means any evidence of indebtedness of the Corporation fully registered, certified and delivered by the Trustee under and pursuant to this Indenture or a Supplemental Indenture, in substantially the form attached hereto as Schedule "A" purchased by the Debentureholder on the Subscription Date.

“**Debentureholder**” or “**holder**” or words of similar import, when used with reference to a Debenture, means any Person who shall be, at the relevant time, the Person whose name is, at the relevant time, entered in one of the Registers referred to in Article 7 for any Outstanding Debenture.

“**Debenture Shares**” means the Common Shares issuable upon the conversion of the Debentures.

“**Depository**” means CDS Clearing and Depository Services Inc. or such other Person as is designated in writing by the Corporation to act as depository in respect of the Debentures.

“**Escrow Agent**” means the Trustee acting in its capacity as escrow agent under the Interest Escrow Agreement, or such other escrow agent as may be appointed under that agreement.

“**Event of Default**” has the meaning ascribed thereto in Section 13.1.

“**Exchange Event**” means any one of the Maturity of the Debentures, the Purchase of the Debentures, the Conversion of the Debentures, the Redemption of the Debentures or the Change of Control Redemption of the Debentures.

“**Exchange Date**” means the date on which an Exchange Event occurs.

“**Extraordinary Resolution**” means a resolution either:

(a) as duly passed at a meeting (including an adjourned meeting) of the Debentureholders duly convened for the purposes and held in accordance with the provisions of Article 12 and passed by the holder or holders of Outstanding Debentures representing not less than 66⅔% of the votes cast in respect of such resolution at such meeting; and/or

(b) by resolution in writing signed by Debentureholders representing not less than 66⅔% of the Principal Amount of the Outstanding Debentures.

“**Fiscal Quarter**” means any of the fiscal quarters of the Corporation.

“**Global Debenture**” means a Debenture which is fully registered in the name of the Depository representing all or a portion of the aggregate Principal Amounts Outstanding.

“**Indenture**”, “**hereto**”, “**herein**”, “**hereof**”, “**hereby**”, “**thereunder**” and similar expressions refer to this Indenture and not to any particular article, section, subsection, schedule or other portion thereof, and include any and every schedule or other instrument ancillary hereto or in implementation hereof, and the expressions “**article**”, “**section**”, “**subsection**” or “**Schedule**” followed by a number mean and refer to the specified article, section, subsection of, or schedule to, this Indenture.

“**Interest Escrow Agreement**” means the escrow agreement between the Trustee, as Escrow Agent, the Corporation and Salman Partners Inc. dated June 30, 2009, as such agreement may be amended from time to time.

“**Maturity Date**” means with respect to a Debenture, the date on which the principal of such Debenture becomes due and payable as therein or herein provided, whether on the date that is four years and one day from the Subscription Date or by declaration, acceleration, redemption or otherwise.

“**Notice of Change of Control Offer to Redeem**” has the meaning ascribed thereto in Section 6.3.

"**Notice of Release**" means the written notice to be delivered by the Trustee to the Escrow Agent notifying the Escrow Agent of the Automatic Conversion of all Outstanding Debentures, Optional Conversion of any Outstanding Debentures, Redemption of all Outstanding Debentures, the Change of Control Redemption or Purchase of all Outstanding Debentures and stating the amount of interest that would have been payable on such Debentures had they not been subject to Conversion, Change of Control Redemption, Redemption or Purchase.

"**Officer's Certificate**" means a certificate, conforming to the requirements of Section 1.11, signed by an Authorized Officer.

"**Opinion of Counsel**" means a written opinion of Counsel to the Corporation addressed and delivered to the Trustee and the Debentureholders, or a written opinion of counsel of a Debentureholder addressed and delivered to the Corporation and Trustee, as the case may be.

"**Optional Conversion**" means the optional conversion by the Corporation of the Debentures pursuant to Section 5.1 hereof.

"**Optional Conversion Date**" means the close of business on the business day immediately preceding the date that the Optional Conversion Notice has been delivered to the Corporation in accordance with the terms hereof.

"**Optional Conversion Notice**" means the conversion notice substantially in the form attached as Schedule "B" hereto.

"**Outstanding**" when used with reference to the Debentures, means, as of any date, all Debentures theretofore or thereupon having been certified and delivered hereunder or under any Supplemental Indenture except:

(a) Debentures cancelled by the Trustee at or prior to such date;

(b) Debentures for the transfer of or exchange of, in lieu or in substitution for which other Debentures shall have been certified and delivered pursuant to this Indenture or any Supplemental Indenture; and

(c) Debentures deemed to have been paid as provided in Article 15; provided, however, that where a new Debenture has been issued in substitution for a Debenture that has been lost, stolen or destroyed, only one of them shall be counted for the purpose of determining the aggregate Principal Amount Outstanding.

"**Party**" means the Corporation or the Trustee, and "**Parties**" means both the Corporation and the Trustee.

"**Permitted Encumbrances**" means:

(a) encumbrances for taxes, rates, assessments or other charges of governmental authorities, charges or levies not yet due, or for which instalments have been paid based on reasonable estimates pending final assessments, or if due, the validity of which is being contested diligently and in good faith by appropriate proceedings by that person and for which adequate reserves have been established in accordance with generally accepted accounting principles;

(b) undetermined or inchoate encumbrances, rights of distress and charges incidental to current operations which have not at such time been filed or exercised, or which relate to obligations not due or payable or if due, the validity of which is being contested diligently and in good faith by appropriate proceedings by that person;

(c) reservations, limitations, provisos and conditions expressed in any original grants from a crown or governmental authority or other grants of real or immovable property, or interests therein;

(d) statutory exceptions to title, and the reservations, limitations, provisos and conditions in any original grants from a crown or governmental authority of any of the Corporation's properties;

(e) licenses, easements, rights-of-way and rights in the nature of easements (including, without limiting the generality of the foregoing, licenses, easements, rights-of-way and rights in the nature of easements for sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraph conduits, poles, wires and cables) and zoning, land use and building restrictions, by-laws, regulations and ordinances of federal, provincial, municipal and other governmental authorities;

(f) title defects, encroachments or irregularities which are of a minor nature and which in the aggregate, will not materially impair the use of the affected property for the purpose for which it is used by that person;

(g) the right reserved to or vested in any municipality or governmental authority by the terms of any lease, license, franchise, grant or permit acquired by that person or by any statutory provision to terminate any such lease, license, franchise, grant or permit, or to require annual or other payments as a condition to the continuance thereof;

(h) the encumbrance resulting from the deposit of cash or securities in connection with contracts, tenders or expropriation proceedings, or to secure workers' compensation, social security, unemployment insurance, surety or appeal bonds, costs of litigation when required by law, liens and claims incidental to current construction, mechanics', warehousemen's, carriers' and other similar liens, and public, statutory and other like obligations incurred in the ordinary course of business;

(i) security given to a public utility or any municipality or governmental authority when required by such utility or authority in connection with the operations of that person in the ordinary course of its business;

(j) encumbrances created by a judgment of a court of competent jurisdiction which is being contested in good faith by proper legal proceedings;

(k) encumbrances on equipment and the proceeds thereof created or assumed to finance the acquisition or improvement or secure the unpaid purchase price thereof (including the principal amount of any capital lease) that are incurred after the date hereof;

(l) royalties, overriding royalties, net profits interests, production payments, reversionary interests, calls on production, preferential purchase rights and other burdens on or deductions from the proceeds of production, that do not secure indebtedness;

(m) encumbrances arising under operating agreements, unitization and pooling agreements and orders, farmout agreements, gas balancing agreements and other agreements, in each case, that are customary in the oil, gas and hydrocarbon production business, that do not secure indebtedness and that are entered into in the ordinary course of business; and

(n) encumbrances arising under any Permitted Indebtedness.

"**Permitted Indebtedness**" has the meaning ascribed thereto in Section 9.2(b).

"**Person**" includes an individual, firm, partnership, trust, trustee, executor, administrator, legal personal representative, government, governmental body or authority, corporation or other incorporated or unincorporated entity.

"**Principal Amount**" means the principal amount owing on an Outstanding Debenture.

"**Project Financing**" means non-recourse or limited recourse financing of the Corporation and/or one or more of its Affiliates and/or Subsidiaries to be used to finance a particular oil and gas project of the Corporation and/or one or more of its Affiliates and/or Subsidiaries, for which a lender or lenders, as the case may be, is satisfied to look initially to the cash flow and earnings of such particular project as the source of funds from which any indebtedness will be repaid and to the assets of such particular project as the collateral, if any, for such indebtedness.

"**Purchase**" means the purchase by the Corporation of the Debentures by private sale pursuant to Section 7.3 hereof.

"**Purchase Date**" means the date a Debenture may be purchased by the Corporation pursuant to a Purchase.

"**Qualifying Provinces**" means, collectively, each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia and New Brunswick.

"**Redemption**" means the redemption by the Corporation of the Debentures pursuant to Article 4 hereof.

"**Redemption Date**" means the day the Debentures are redeemed, being the day that is 30 days after the Redemption Notice has been delivered to the Debentureholders in accordance with the terms hereof.

"**Redemption Notice**" means the notice delivered within five days of the Starting Redemption Date in accordance with the provisions Article 4 hereof.

"**Redemption Price**" means 110% of the Principal Amount of an Outstanding Debenture plus accrued and unpaid interest to the Redemption Date.

"**Regular Interest Date**" has the meaning ascribed thereto in Section 2.6(c).

"**Register**" means the register of Debentureholders maintained by the Trustee or such Person as the Corporation may direct.

"**Starting Redemption Date**" means the date that is ten days prior to one year following the Subscription Date.

"**Subscription Date**" means the date hereof.

"**Subsidiary**" for the purposes of this Indenture, a Person shall be deemed to be a subsidiary of another Person if:

(a) it is Controlled by,

(i) that other, or

(ii) that other and one or more Persons each of which is Controlled by that other, or

(iii) two or more Persons each of which is Controlled by that other; or

(b) it is a subsidiary of a Person that is that other's subsidiary.

"**Supplemental Indenture**" means an indenture supplemental to or amendatory of this Indenture, entered into by the Corporation with the Trustee and effective as provided in Article 11.

"**Taxes**" means all taxes, rates, assessments, levies, liens and penalties, municipal, local, parliamentary or otherwise that now are or may hereafter be imposed, charged or levied upon or with respect to the Corporation.

"**TSXV**" means the TSX Venture Exchange or any other exchange or quotation system upon which the Common Shares are listed for trading.

"**Unanimous Debentureholders' Resolution**" means a resolution in writing signed by all Debentureholders.

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended.

"**U.S. Person**" means a U.S. Person as that term is defined in Rule 902(k) of Regulation S under the U.S. Securities Act.

"**Written Order**" or "**Written Request**" means a written order or request of the Corporation signed in the name of the Corporation by any Authorized Officer and may consist of one or more instruments so executed.

1.2 Gender and Number.

Words importing the singular include the plural and vice versa and words importing gender include all genders.

1.3 Invalidity.

Each of the provisions contained in this Indenture is distinct and severable and a declaration of invalidity, illegality or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision of this Indenture.

1.4 Headings.

The division of this Indenture into Articles, Sections and paragraphs, the inclusion of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Indenture.

1.5 Governing Law.

This Indenture shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.

1.6 Jurisdiction.

Subject to the provisions of any Supplemental Indenture, the Corporation agrees, and the Trustee agrees for itself and each Debentureholder, that any legal action or proceeding with respect to this Indenture or any Supplemental Indenture shall be brought by the Trustee or such Debentureholder (to the extent permitted hereunder) in the Courts of the Province of British Columbia, and such courts shall have exclusive jurisdiction to deal with all matters relating to the interpretation of, or enforcement of rights under this Indenture.

1.7 References.

Except as otherwise specifically provided, reference in this Indenture or any Supplemental Indenture to any contract, agreement or any other instrument shall be deemed to include references to the same as varied, amended, supplemented or replaced from time to time and reference in this Indenture or any Supplemental Indenture to any enactment, including, without limitation, any statute, law, by-law, regulation, ordinance or order, shall be deemed to include references to such enactment as re-enacted, amended or extended from time to time.

1.8 Currency.

Except as otherwise specifically provided, all monetary amounts in this Indenture or any Supplemental Indenture are stated in Canadian Dollars.

1.9 Generally Accepted Accounting Principles.

Except as otherwise specifically provided herein, all accounting terms shall be applied and construed in accordance with generally accepted accounting principles consistently applied. Reference herein to "**generally accepted accounting principles**" means, for all principles stated from time to time in the Handbook of the Canadian Institute of Chartered Accountants, such principles so stated.

1.10 Actions on Days other than Business Days.

Except as otherwise specifically provided herein or in any Supplemental Indenture or in any Debenture, where any payment is required to be made or any other action is required to be taken on a particular day and such day is not a Business Day and, as a result, such payment cannot be made or action cannot be taken on such day, then such payment shall be made or such action shall be taken on the first Business Day after such day.

1.11 General Provisions as to Certificates, Opinions etc.

Each Officer's Certificate, Opinion of Counsel, Written Order or Written Request required under or referred to in this Indenture or any Supplemental Indenture or otherwise furnished in connection with this Indenture or any Supplemental Indenture shall specify the section under which such document is being made and, other than a Written Order or a Written Request, shall include:

(a) a statement by each Person signing such certificate or opinion that he or she has read, or after making due inquiry, examination or investigation, has full knowledge of, and understands the provisions of this Indenture and any Supplemental Indenture relating to the matters referred to therein;

(b) a statement of the nature and scope of the examination or investigation upon which such Person based the certificate or opinion; and

(c) a statement that such Person has made such examination or investigation as he or she believes necessary to enable him or her to make the statements or give the opinions contained or expressed therein.

Whenever the delivery of an Officer's Certificate, Opinion of Counsel, Written Order or Written Request is a condition precedent to the taking of any action by the Trustee under this Indenture or any Supplemental Indenture, the Trustee shall rely on its due execution and the truth and accuracy of the facts and opinions stated in such document and shall in each case be conditions precedent to the right of the Corporation to have such action taken.

Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon information with respect to the Corporation which is in the possession of the Corporation contained in an Officer's Certificate, unless such Counsel knows that the certificate with respect to the matters upon which his or her opinion may be based as aforesaid is erroneous.

Without limiting the generality of the foregoing, upon the reasonable demand of the Trustee, the Corporation shall furnish the Trustee with evidence in such form as the Trustee may reasonably require as to demonstrate compliance with any condition relating to any action required or permitted to be taken by the Corporation under this Indenture or any Supplemental Indenture.

1.12 Paramountcy.

If any inconsistency shall arise between this Indenture and its Schedules, the provisions of this Indenture shall prevail.

1.13 Time of Essence.

Time is of the essence hereof.

ARTICLE 2 - ISSUE OF DEBENTURES

2.1 Purpose of Debentures.

This Indenture establishes and is intended to provide a framework for the Corporation to finance its operations, expansion and working capital requirements.

2.2 Limited Issue.

The aggregate Principal Amount of Debentures which may be authorized for issuance under this Indenture and all Supplemental Indentures is $100,000,000.

2.3 Debentures Rank Equally.

All Debentures as soon as issued in accordance with this Indenture shall rank *pari passu* and proportionately and without preference or priority amongst the Debentures.

2.4 Form of Debenture.

The Debentures shall be issued in denominations of $1,000 and integral multiples thereof and shall be substantially in the form set out in Schedule "A" of this Indenture, with such appropriate additions and variations as may be required. In no event shall any Debenture or replacement thereof be issued in a denomination or integral multiple of any amount other than $1,000.

2.5 No Requirement to Issue Fractional Debentures.

The Corporation shall not be required to issue fractional Debentures upon the Purchase, Conversion or Redemption of any of the Debentures.

2.6 Debentures.

The Debentures to be certified and delivered hereunder upon written order of the Corporation shall consist of and be limited to Debentures in an aggregate Principal Amount not in excess of $100,000,000 to be designated as Debentures, all which shall be issued subject to the following terms, conditions and attributes:

(a) the Debentures shall be dated as of the Subscription Date and shall mature on the Maturity Date;

(b) the Principal Amount of the Debentures not subject to an Exchange Event, shall be repaid to the Debentureholders at the Maturity Date;

(c) the Corporation shall pay interest on the Principal Amount outstanding under the Debentures from the Subscription Date to the Exchange Date in accordance with the terms of Article 3 hereof, at a rate of 11% per annum, calculated and payable on January 1 and July 1 of each year ("**Regular Interest Date**") or as at the Exchange Date if other than a Regular Interest Date with interest on overdue interest at the aforesaid rate in accordance with the interest payment provisions of Article 3. The first such interest payment shall be made on January 1, 2010;

(d) upon the occurrence of a Change in Control, the Corporation is required to make an offer to purchase all Debentures in accordance with Article 6 hereof at a price equal to the Principal Amount Outstanding plus accrued and unpaid interest, if any, to but excluding the Change of Control Redemption Date; and

(e) the Debentures may be sold by the Debentureholder to the Corporation at any time by private contract mutually agreed to by the Debentureholder and the Corporation, subject to the required regulatory approvals, in accordance with Section 7.3 hereof, and the Corporation will cancel all Debentures purchased by such private sales and will not re-issue them.

2.7 Global Debentures.

The Debentures (other than Debentures issued to or for the account or benefit of a U.S. Person or a person in the United States) may be represented by one or more Global Debentures. Each Global Debenture authenticated in accordance with this Indenture shall be registered in the name of the Depository designated for such Global Debenture or a nominee thereof and delivered to such Depository or a nominee thereof as custodian therefor, and each such Global Debenture shall constitute a single Debenture for all purposes of this Indenture. Beneficial interests in the Global Debenture will not be shown on the Register or the records maintained by the Depository but will be represented through book-entry accounts of BEO Participants on behalf of the beneficial owners of such Global Debenture. Except as provided in this Section 2.7, owners of beneficial interests in any Global Debenture shall not be entitled to have Debentures registered in their names and shall not receive or be entitled to receive Debentures in definitive form.

Notwithstanding any other provision in this Indenture, no Global Debenture may be exchanged in whole or in part for Debentures registered, and no transfer of a Global Debenture in whole or in part may be registered, in the name of any Person other than the Depository for such Global Debenture or a nominee thereof unless:

(a) the Depository notifies the Corporation that it is unwilling or unable to continue to act as depository in connection with the Global Debenture and the Corporation is unable to locate a qualified successor;

(b) the Corporation determines that the Depository is no longer willing, able or qualified to discharge properly its responsibilities as Debentureholder of the Global Debenture and the Corporation is unable to locate a qualified successor;

(c) the Depository ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and the Corporation is unable to locate a qualified successor;

(d) the Corporation determines that the Debentures shall no longer be held as Global Debentures through the Depository;

(e) the Depository determines to transfer the Global Debentures in accordance with the terms hereof; or

(f) such right is required by Applicable Law, as determined by the Corporation and its Counsel;

following which Debentures in fully Registered form shall be issued to the beneficial owners of such Debentures or their nominees.

Subject to the provisions of this Section 2.7, any exchange of a Global Debenture for Debentures may be made in whole or in part in accordance with the provisions of this Article 2, *mutatis mutandis*. All such Debentures issued in exchange for a Global Debenture or any portion thereof shall be registered in such names as the Depository for such Global Debenture shall direct and shall be entitled to the same benefits and subject to the same terms and conditions (except insofar as they relate specifically to Global Debentures) as the Global Debenture or portion thereof surrendered upon such exchange.

Every Debenture authenticated and delivered upon registration of transfer of a Global Debenture, or in exchange for or in lieu of a Global Debenture or any portion thereof, whether pursuant to this Section 2.7 or otherwise, shall be authenticated and delivered in the form of, and shall be, a Global Debenture, unless such Debenture is registered in the name of a Person other than the Depository for such Global Debenture or a nominee thereof, and the back of such Global Debenture shall be imprinted with the following legend:

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF CDS CLEARING AND DEPOSITORY SERVICES INC. ("CDS") TO FALCON OIL & GAS LTD. OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CDS & CO., OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS (AND ANY PAYMENT IS MADE TO CDS & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED HOLDER HEREOF, CDS &CO., HAS AN INTEREST HEREIN. THIS CERTIFICATE IS ISSUED PURSUANT TO A MASTER LETTER OF REPRESENTATIONS OF FALCON OIL & GAS LTD. TO CDS, AS SUCH LETTER MAY BE REPLACED OR AMENDED FROM TIME TO TIME.

ARTICLE 3 - INTEREST

3.1 Interest Generally.

(a) To ensure the Corporation is able to meet its interest payment obligations to July 1, 2010 and to otherwise assist the Corporation in meeting its obligations to the Debentureholders hereunder, the Corporation has entered into the Interest Escrow Agreement.

(b) Interest shall be computed on the basis of a year of 365 days or 366 days in a leap year, as the case may be, calculated based on the actual number of days elapsed for payments other than semi annual payments.

(c) Wherever in this Indenture or the Debentures there is mention, in any context, of the payment of interest, such mention shall be deemed to include the payment of interest on amounts in default to the extent that in such context such interest is, was or would be payable pursuant to this Indenture or such Debentures and express mention of interest on amounts in default in any of the provisions hereof shall not be construed as excluding such interest in those provisions hereof where such express mention is not made.

3.2 Payment of Interest and Principal in Respect of Debentures.

(a) Subject to an Exchange Event, as interest becomes due on the Debentures the Corporation, either directly or through the Trustee or any agent of the Trustee, shall send or forward by first class mail (postage prepaid), electronic transfer of funds or such other means as may be agreed to by the Trustee, payment of such interest to the order of the registered Debentureholder of such Debenture appearing on the Register at the close of business on the tenth Business Day prior to the applicable Regular Interest Date (the "**Regular Interest Record Date**") and addressed to the Debentureholder at the Debentureholder's last address appearing on the Register, unless such holder otherwise in writing directs. If payment is made by cheque to the Debentureholder, such cheque shall be forwarded at least three Business Days prior to each applicable Regular Interest Date and if payment is made by other means (such as electronic transfer of funds) such payment shall be made at least one Business Day prior to each applicable Regular Interest Date. The Corporation may make provision for the making of any such payment in such other manner as is acceptable to the Trustee. Subject to the provisions of this Indenture, the mailing of such cheque or the making of such payment in such other manner shall satisfy and discharge all liability for interest, as the case may be, on the Debentures to the extent of the sum represented thereby unless such cheque shall not be honoured upon presentation. In the event of non-receipt of any cheque for or other payment of interest by the Person to whom it is so sent as aforesaid, the Corporation will issue or cause to be issued to such Person a replacement cheque or other payment for a like amount upon being furnished with such evidence of non-receipt as it or the Trustee shall reasonably require and upon being indemnified to the Corporation's satisfaction. Notwithstanding the foregoing, if the Corporation is prevented by circumstances beyond its control (including, without limitation, any interruption in mail service) from making payment of any interest due on each Debenture in the manner provided above, the Corporation may make payment of such interest or make such interest available for payment in any other manner acceptable to the Trustee with the same effect as though payment had been made in the manner provided above.

(b) If a Debenture or a portion thereof is called or presented to the Corporation for an Exchange Event and the Exchange Date is on or subsequent to a Regular Interest Record Date but prior to the related Regular Interest Date, the Exchange Event and the Exchange Date in respect of conversions and redemptions will be processed as at the related Regular Interest Date when the Register is reopened and interest accrued on such Debenture will be paid upon presentation and surrender of such Debenture up to but excluding the Exchange Date. From and after the Exchange Date, interest upon the purchased, converted or redeemed Debentures, as the case may be, shall cease.

(c) Notwithstanding Section 3.2, with respect to an Automatic Conversion of any Debentures, the Debentureholders will also be entitled to receive accrued and unpaid interest, in cash, to the end of the first 12 month period after the Subscription Date if such conversion occurs during such 12 month period, and to the end of the second 12 month period after the Subscription Date if such conversion occurs after the end of the first 12 month period but by the end of the second 12 month period after the Subscription Date.

(d) On the Maturity Date, the Corporation, through the Trustee or any agent of the Trustee, shall send or forward by first class mail (postage prepaid), electronic transfer of funds or such other means as may be agreed to by the Trustee, payment of all the Principal Amount Outstanding upon surrender of Debenture certificates by holder(s), and all accrued and unpaid interest on the then Outstanding Debentures, up to but excluding the Maturity Date. Such payment shall be made to the order of the registered Debentureholder of such Debenture appearing on the Registers maintained by the Trustee at the close of business on the tenth Business Day prior to the Maturity Date (the "**Maturity Record Date**") and addressed to the Debentureholder at the Debentureholder's last address appearing on the Register as of the Maturity Record Date, unless such holder otherwise in writing directs. If payment is made by cheque to the Debentureholder, such cheque shall be forwarded at least three Business Days prior to the Maturity Date and if payment is made by other means (such as electronic transfer of funds) such payment shall be made at least one Business Day prior to the Maturity Date. The Corporation may make provision for the making of any such payment in such other manner as is acceptable to the Trustee. Subject to the provisions of this Indenture, the mailing of such cheque or the making of such payment in such other manner shall satisfy and discharge all liability for principal, premium and interest, as the case may be, on the Debentures to the extent of the sum represented thereby unless such cheque shall not be honoured upon presentation. In the event of non-receipt of any cheque for or other payment of interest by the person to whom it is so sent as aforesaid, the Corporation will issue or cause to be issued to such person a replacement cheque or other payment for a like amount upon being furnished with such evidence of non-receipt as it or the Trustee shall reasonably require and upon being indemnified to the Corporation's and Trustee's satisfaction. Notwithstanding the foregoing, if the Corporation is prevented by circumstances beyond its control (including, without limitation, any interruption in mail service) from making payment on each Debenture in the manner provided above, the Corporation may make such payment available in any other manner acceptable to the Trustee with the same effect as though payment had been made in the manner provided above.

(e) If any payment of principal, premium or interest on the Maturity Date or the Regular Interest Date, as applicable, is to be made through the Trustee, the Corporation shall deposit cleared funds, equal to the full amount of any such payment in the manner directed by the Trustee at least 24 hours prior to the date on which such payment must be forwarded to the Debentureholders pursuant to the terms of this Indenture. The Trustee shall disburse such interest payments only upon receiving the cleared funds, and under no circumstances shall the Trustee be obligated to disburse amounts of money in excess of what it has received from the Corporation.

(f) If any payment of principal, premium or interest is made directly to any Debentureholder by the Corporation, then the Corporation shall within two Business Days of making such payment, provide the Trustee with an Officer's Certificate setting forth the details of any such payment.

3.3 No Deduction or Withholding.

Any and all payments by the Corporation hereunder, and any amounts on account of interest or deemed interest, shall be made free and clear of, and without deduction for any and all present or future Taxes. If the Corporation shall be required to deduct any Taxes from or in respect of any sum payable hereunder to the Debentureholders: (i) the Corporation shall be required to increase the sum payable in order that, after making all required deductions, the Debentureholders would receive an amount equal to the sum they would have received had no such deductions been made; (ii) the Corporation shall make such deductions; and (iii) the Corporation shall pay the full amount deducted to the relevant governmental authority in accordance with applicable law. The Trustee shall have no duty regarding withholding or other type of tax or governmental charge and shall rely on written direction/confirmation of the Corporation.

3.4 Maximum Interest.

Notwithstanding anything herein or in any Supplemental Indenture to the contrary, in the event that any provision of this Indenture or any Supplemental Indenture would oblige the Corporation to make any payment of interest or other amount payable to the Debentureholders in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by the Debentureholders of interest at a criminal or prohibited rate (as such terms are construed under the *Criminal Code* (Canada) or any other applicable law), then notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with the same effect as if adjusted at the original date of this Indenture to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in a receipt by the Debentureholders of interest at a criminal or prohibited rate, such adjustment to be effected to the extent necessary in each case, as follows:

(a) by reducing any fees or other amounts which would constitute interest for the purposes of section 347 of the *Criminal Code* (Canada) or any other applicable law; and

(b) by reducing the amount or rate of interest exigible under Article 2 of this Debenture.

Any amount or rate of interest referred to in this Section 3.4 shall be determined in accordance with generally accepted actuarial practices and principles over the maximum term of this Indenture (or over such shorter term as may be required by Section 347 of the *Criminal Code* (Canada) or any other applicable law) and, in the event of a dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Debentureholders shall be conclusive for the purposes of such determination, absent manifest error.

ARTICLE 4 - REDEMPTION

4.1 Redemption.

(a) The Corporation has the one time option to redeem the Debentures (in whole or in part in denominations of $1,000 or integral multiples thereof) by delivering to the Trustee and the Debentureholders the Redemption Notice.

(b) If fewer than all the Outstanding Debentures are to be redeemed, the Debentures to be redeemed will be selected by a method that complies with the requirements, if any, of any stock exchange on which the Debentures are listed, if any, as confirmed by an Opinion of Counsel and that the Trustee considers fair and appropriate or, in the absence of any such requirement, on a *pro rata* basis in denominations of $1,000 or integral multiples thereof based upon the Principal Amount of such Debentures registered in the name of each Debentureholder, or in such other manner as the Trustee considers equitable.

4.2 Notice of Offer to Redeem.

(a) The Redemption Notice shall be given by the Corporation to the Trustee and the Debentureholders no later than 30 Business Days before a Redemption Date, as applicable, in the manner provided in Article 10, which Redemption Notice shall specify: (i) the Redemption Price and the Redemption Date; (ii) that any Debenture not redeemed will continue to accrue interest pursuant to its terms; (iii) that, unless the Corporation defaults on the payment of the Redemption Price, any Debenture Redeemed shall cease to accrue interest on and after the Redemption Date; and (iv) that Debentureholders electing to have a Debenture redeemed pursuant to the Offer to redeem will be required to surrender the Debenture to the Trustee at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Redemption Date.

(b) In addition, unless all the Outstanding Debentures are to be redeemed, the Redemption Notice shall specify if applicable:

(i) The distinguishing letters and numbers of the registered Debentures which are to be redeemed (or of such thereof as are registered in the name of such Debentureholder);

(ii) In the case of a published notice, the distinguishing letters and numbers of the Debentures which are to be redeemed or, if such Debentures are selected by terminal digit or other similar system, such particulars as may be sufficient to identify the Debentures so selected; and

(iii) In all cases, the Principal Amount or, if any such Debenture is to be redeemed in part only, the Principal Amount of such part, which principal shall only be redeemed in denominations of $1,000 or integral multiples thereof.

(c) If all of the Outstanding Debentures are to be redeemed, within three Business Days of receipt of the Redemption Notice, the Trustee shall deliver a copy of such Redemption Notice to the Escrow Agent.

In the event that all Debentures to be Redeemed are registered Debentures, publication shall not be required.

4.3 Debentures Due on Redemption Date.

(a) A Redemption Notice having been given, all Debentures so called for Redemption shall thereupon be and become due and payable. If any question shall arise as to whether any notice has been given as above provided and such deposit made, such question shall be decided by the Corporation whose decision shall be final and binding upon all parties in interest.

(b) The Debentureholder whose Debenture is partially redeemed pursuant to Article 4 shall, upon Redemption, surrender such Debenture to the Trustee, and the Trustee shall cancel the same and shall, without charge to the Debentureholder, forthwith certify and deliver to the Debentureholder a new Debenture or Debentures in an aggregate Principal Amount equal to the unredeemed part of the Principal Amount so surrendered.

4.4 Deposit of Redemption Monies.

Within two Business Days of the Redemption Date, the Corporation shall deposit with the Trustee to the order of the Trustee or for the account of the Trustee, on or prior to the Redemption Date specified in the Redemption Notice, such sums as are sufficient to pay the Redemption Price of the Debentures which are to be redeemed. From the sums so deposited, the Trustee shall pay or cause to be paid to the Debentureholders, upon surrender of the Debentures, the Redemption Price thereof.

ARTICLE 5 - CONVERSION

5.1 Optional Conversion.

(a) Each Debenture will be convertible into Debenture Shares at the option of the Debentureholder at any time prior to the Maturity Date or the Redemption Date at the Conversion Price then in effect by delivering to the Corporation the Optional Conversion Notice.

(b) A Debentureholder wishing to convert a Debenture pursuant to the Optional Conversion in whole or in part into Debenture Shares must convert such Debentures in denominations of $1,000 or integral multiples thereof, and shall surrender such Debenture prior to the Maturity Date or the Redemption Date to the Trustee at its principal bond transfer offices in the Cities of Vancouver, British Columbia or Toronto, Ontario, together with the completed Optional Conversion Notice attached to such Debenture or any other written notice in form and substance satisfactory to the Trustee, in either case duly executed by the Debentureholder or the Debentureholder's executors or administrators or other legal representatives or their attorney duly appointed by an instrument in writing and in form and substance satisfactory to the Trustee, exercising the Debentureholder's right to convert such Debenture in accordance with the provisions of this Section 5.1. Within three Business Days of the end of each calendar month in which the Trustee receives one or more Optional Conversion Notice, the Trustee will aggregate all Optional Conversion Notices, if any, received during the immediately prior calendar month and the Trustee shall deliver a copy of such Optional Conversion Notices to the Escrow Agent. Within three Business Days of receipt by the Trustee of the Optional Conversion Notice such Debentureholder or, subject to payment of all applicable stamp taxes, security transfer taxes or other governmental charges and compliance with all reasonable requirements of the Trustee, such Debentureholder's nominee or assignee, shall be entitled to be entered in the books of the Corporation as at the Optional Conversion Date as the holder of the number of Debenture Shares in accordance with the provisions hereof and, as soon as practicable thereafter, the Corporation shall deliver to such Debentureholder or, subject as aforesaid, his, her or its nominee or assignee, a certificate for such Debenture Shares and, if applicable, a cheque for any interest amount payable.

(c) Each Common Share certificate originally issued in the United States, and each Common Share certificate issued in exchange therefor or in substitution thereof, shall bear the legend set forth in Section 7.5.

(d) The Debentureholder of any Debenture of which part only is converted shall, upon Conversion the exercise of his, her or its right of Conversion, surrender such Debenture to the Trustee, and the Trustee shall cancel the same and shall, without charge to the Debentureholder, forthwith certify and deliver to the Debentureholder a new Debenture or Debentures in an aggregate Principal Amount equal to the unconverted part of the Principal Amount so surrendered.

5.2 Automatic Conversion.

(a) Upon the occurrence of the Automatic Conversion Trigger Date, all principal amount of the Debentures then Outstanding will automatically convert into Debenture Shares at the Conversion Price on the Automatic Conversion Date, and the said Debentures shall thereafter not be considered as Outstanding hereunder and the Debentureholder shall have no other right to receive any principal amount of said Debentures or interest thereon and the Debenture certificates shall be deemed surrendered and cancelled on the Automatic Conversion Date subject to the payment of any interest payable pursuant to Section 3.2(c).

(b) The Corporation shall be entitled to deliver to the Trustee and the Debentureholders the Automatic Conversion Notice forthwith upon the Automatic Conversion Trigger Date, and within three Business Days of receipt of such Automatic Conversion Notice the Trustee shall deliver a copy of such Automatic Conversion Notice to the Escrow Agent. Thereupon such Debentureholder or such Debentureholder's nominee or assignee, shall be entitled to be entered in the books of the Corporation as at the Automatic Conversion Date as the holder of the number of Debenture Shares in accordance with the provisions hereof and, as soon as practicable thereafter, the Corporation shall deliver to such Debentureholder or, subject as aforesaid, his, her or its nominee or assignee, a certificate for such Debenture Shares and, if applicable, a cheque for any interest amount payable.

(c) Each Debenture Share certificate originally issued to a Debentureholder in the United States, and each Debenture Share certificate issued in exchange therefor or in substitution thereof, shall bear the legend set forth in Section 7.5. The Trustee shall rely on any such legend requirements as determined by the Corporation.

5.3 Dates Excluded for Conversion.

Notwithstanding the foregoing, no Conversion may occur during the ten business days preceding and including:

(a) January 1 and July 1 in each year; or

(b) a Regular Interest Date; or

(c) a Redemption Date or Change of Control Redemption Date.

5.4 Manner of Exercise of Conversion.

(a) Written notice provided in accordance with this Article will be deemed to constitute a contract between the Debentureholder and the Corporation whereby: (i) the Debentureholder subscribes for the number of Debenture Shares; (ii) the Debentureholder, upon delivery of the certificates representing the Debenture Shares referred to in (i), will release the Corporation from all liability to pay the Principal Amount then outstanding under the Debentures; (iii) the Corporation agrees that the surrender of the Debenture for Conversion will constitute full payment of the subscription price for the Debenture Shares issuable upon such Conversion; and (iv) the Corporation will pay the Debentureholder any interest outstanding up to the Conversion Date. The Debentureholder will be entitled to be entered in the books of the Corporation as at the Conversion Date as the holder of the number of Debenture Shares into which all or part of the Debenture has been converted in accordance with the provisions of this Article and, within five Business Days of the Conversion Date, the Corporation will deliver or cause to be delivered to the Debentureholder a certificate or certificates for such Debenture Shares.

(b) For the purposes of this Indenture, a Debenture shall be deemed to be surrendered for Conversion in accordance with the exercise of the Optional Conversion on the date on which the Debenture is so surrendered in accordance with the provisions hereof and, in the case of a Debenture so surrendered by mail or other means of delivery, on the date on which it is physically received by the Trustee at one of its offices specified in subsection 5.1(b), provided that if a Debenture is surrendered for conversion on a day on which the Register of Debenture Shares is closed, the Person entitled to receive Debenture Shares shall become the holder of record of such Debenture Shares as at the date on which such Register is next reopened and provided that if a Debenture is surrendered for conversion on any Regular Interest Date or in either case during the ten preceding Business Days, such Debenture shall be deemed to be surrendered for conversion on such Regular Interest Date except where such Regular Interest Date is the Maturity Date, in which case such Debenture shall be deemed to be surrendered on the Business Day immediately preceding the Maturity Date.

(c) Any part, being $1,000 or an integral multiple thereof, of a Debenture of a denomination in excess of $1,000 may be converted as provided herein and all references in this

Indenture to conversion of Debentures shall be deemed to include conversion of such parts.

(d) The Debentureholder of a Debenture surrendered for Conversion or deemed to have been surrendered for Conversion in accordance with Article 5 shall be entitled to receive accrued and unpaid interest in respect thereof up to but excluding the Conversion Date. The Debenture Shares issued upon conversion shall rank only in respect of distributions declared in favour of holders of record of Debenture Shares on and after the Conversion Date or such later date as such Debentureholder shall become the holder of record of such Debenture Shares pursuant to subsection 5.4(b), from which applicable date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

(e) The Debentures and the Debenture Shares have not been registered under the U.S. Securities Act or the securities laws of any state of the United States, and the Debentures may not be converted within the United States or by or on behalf of any U.S. Person or person in the United States unless the Common Shares are registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available. The Trustee shall not issue or register Debenture Shares or the certificates representing such Debenture Shares unless the holder has executed and delivered to the Trustee the Conversion Notice included on the Debenture certificate and has certified that the Debentureholder:

(i) (i) is not (and is not converting the Debenture for the account or benefit of) a U.S. person or a person in the United States; (ii) did not execute or deliver this Optional Conversion Notice in the United States and (iii) has in all other respects complied with the terms of Regulation S of the U.S. Securities Act or any successor rule or regulation of the United States Securities and Exchange Commission as presently in effect; or

(ii) the Debentureholder is tendering with the Optional Conversion Notice a written opinion of counsel or other evidence satisfactory to the Corporation and the Trustee to the effect that the securities to be delivered upon conversion of the Debenture have been registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or are exempt from registration thereunder; or

(iii) the Debentureholder is the original subscriber of the Debentures and (i) is a qualified institutional buyer ("**Qualified Buyer**") as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act or an investor ("**Institutional Accredited Investor**") that meets the definition of accredited investor under Rule 501(a)(l), (2), (3) or (7) ("**Rule 501**") under Regulation D under the U.S. Securities Act, converting the Debenture for its own account or the account of a Qualified Buyer or an Institutional Accredited Investor over which it exercises sole investment discretion, (ii) has had access to such current public information concerning the Corporation as it considered necessary in connection with its investment decision, (iii) understands that the Debenture Shares have not been registered under the U.S. Securities Act and (iv) agrees to the restrictions on transfer and resale more fully described in the Indenture.

(f) No certificates representing Debenture Shares will be registered or delivered to an address in the United States unless the holder of Debentures complies with the requirements set forth in either subsection 5.4(e)(i), (e)(ii) or (e)(iii), and, in the case of subsection 5.4(e)(ii), the Corporation confirmed in writing to the Trustee that the Opinion of Counsel is satisfactory to the Corporation. Any such certificates will bear the legend as set forth in subsection 7.5, except if the Debentureholder makes the certification outlined in subsection 5.4(e)(i).

(g) Any Debenture Shares required to be delivered to the Debentureholder pursuant to this Article 5 will be delivered or caused to be delivered by the Corporation directly to the Debentureholder.

ARTICLE 6 - MANDATORY OFFERS TO REDEEM ON CHANGE OF CONTROL

6.1 Offer to Redeem on Change of Control.

Upon the occurrence of a Change of Control, the Corporation must offer (which offer each Debentureholder may accept or reject) to redeem all Debentures then Outstanding (the "**Change of Control Offer to Redeem**"), in whole, but not in part, at a redemption price, in cash, which is equal to the Principal Amounts to be redeemed plus accrued and unpaid interest up to but excluding the Change of Control Redemption Date.

6.2 Term of Change of Control Offer to Redeem.

A Change of Control Offer to Redeem shall be open for 30 days and the payment of the Change of Control Redemption Price shall be made no later that the 30th day following the Change of Control Redemption Date.

6.3 Notice of Change of Control Offer to Redeem.

(a) Notice of a Change of Control Offer to Redeem shall be given by the Corporation to the Trustee and the Debentureholders no later than ten Business Days following a Change of Control, as applicable, in the manner provided in Article 10, which notice (the "**Notice of Change of Control Offer to Redeem**") shall specify: (i) the date of Change of Control; (ii) in brief, the events causing such Change of Control, as applicable; (iii) the Change of Control Redemption Price and the Change of Control Redemption Date; (iv) that any Debenture not redeemed will continue to accrue interest pursuant to its terms; (v) that, unless the Corporation defaults on the payment of the Change of Control Redemption Price, any Debenture accepted for payment pursuant to the Change of Control Offer to Redeem shall cease to accrue interest on and after the Change of Control Redemption Date; (vi) that Debentureholders electing to have a Debenture redeemed pursuant to the Change of Control Offer to Redeem will be required to surrender the Debenture to the Trustee at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Change of Control Redemption Date; (vii) that Debentureholders will be entitled to withdraw their election if the Trustee receives, not later than the close of business on the fifth Business Day immediately preceding the Change of Control Redemption Date, a facsimile transmission or letter setting forth the name of such Debentureholder, the Principal Amount delivered for redemption and a statement that such Debentureholder is withdrawing this election to have such

Debentures redeemed; and (viii) that interest on Debentures tendered and not withdrawn shall cease to accrue interest from the date of Change of Control.

(b) If any of the Outstanding Debentures are to be redeemed pursuant to Article 6, the Trustee shall, within three Business Days of the end of the 30 day period following the Change of Control Redemption Date deliver a copy of all Notices of Change of Control Offer to Redeem received by the Trustee during such 30 day period following the Change of Control Redemption Date, to the Escrow Agent.

6.4 Manner of Change of Control Redemption.

On the Change of Control Redemption Date, the Corporation shall (i) accept for redemption Debentures tendered pursuant to the Change of Control Offer to Redeem; (ii) deposit with the Trustee money sufficient to pay the Change of Control Redemption Price of all Debentures so redeemed (provided that such payment is deposited in at least two Business Days prior to the date on which such payment must be forwarded to the Debentureholders pursuant to the terms of this Indenture); and (iii) deliver, or cause to be delivered, to the Trustee all Debentures thereof so accepted together with an Officer's Certificate specifying the Debentures or portions thereof accepted for payment by the Corporation.

6.5 Payment to Debentureholders.

The Trustee shall as soon as practicable mail to the Debentureholders who have so accepted, from money deposited by the Corporation, payment in an amount equal to the Change of Control Redemption Price.

6.6 Compliance with Applicable Securities Legislation.

The Corporation will comply with all Applicable Laws in the event that the Corporation is required to offer to redeem the Debentures and subsequently redeem any Debentures pursuant to a Change of Control Offer to Redeem in connection with a Change of Control.

6.7 Cancellation of Debentures on Change of Control Redemption.

On the Change of Control Redemption Date, provided that the Corporation has deposited the Change of Control Redemption Price in accordance with Section 6.5, each Debenture (or the portions thereof) in respect of which the Corporation's redemption obligation has been accepted shall be deemed to be transferred by the Debentureholder thereof, without any further act or formality on its part, free and clear of all liens, claims and encumbrances, to the Corporation for cancellation and the Corporation shall be deemed to have cancelled such Debenture upon deemed delivery and the name of such holder will be removed from the Register of Debentureholders and such Debenture shall be forthwith cancelled by the Trustee and may not be reissued or resold and no Debentures shall be issued in substitution therefor.

ARTICLE 7 - GENERAL TERMS AND PROVISIONS OF DEBENTURES

7.1 Questions of Notice.

If any question shall arise as to whether any notice has been given, such question shall be decided by the Corporation whose decision shall be final and binding upon all parties in interest.

7.2 Debentures Generally.

Debentures shall be identical except as may otherwise be provided in the Indenture or any Supplemental Indenture authorizing the Debentures. The Debentures may be typewritten, engraved, lithographed or printed as the Corporation may determine. Each Debenture, if issued, shall be dated as of the Subscription Date.

7.3 Purchase of Debentures by the Corporation.

(a) The Corporation may, if it is not at the time in default hereunder and subject to applicable securities legislation, at any time and from time to time, purchase Debentures in the market (which shall include purchases from or through an investment dealer or a firm holding membership on a recognized stock exchange) or by tender or by contract, at any price.

(b) If, upon an invitation for tenders, more Debentures are tendered at the same lowest price that the Corporation is prepared to accept, the Debentures to be purchased by the Corporation shall be selected by the Trustee on a pro rata basis, or in such other manner consented to by the TSXV or such other exchange on which the Debentures are then listed which the Trustee considers appropriate, from the Debentures tendered by each tendering Debentureholder who tendered at such lowest price. The holder of a Debenture of which a part only is purchased, upon surrender of such Debenture for payment, shall be entitled to receive, without expense to such holder, one or more new Debentures for the unpurchased part so surrendered, and the Trustee shall certify and deliver such new Debenture or Debentures upon receipt of the Debenture so surrendered.

(c) If all of the Outstanding Debentures are to be purchased, the Trustee shall deliver the relevant details of such purchase to the Escrow Agent as provided from the Corporation.

7.4 No Requirement to Issue Fractional Shares.

The Corporation shall not be required to issue fractional Debenture Shares upon an Exchange Event. If more than one Debenture shall be surrendered for conversion at one time by the same Debentureholder, the number of whole Debenture Shares shall be computed on the basis of the aggregate Principal Amount of the Debentures and outstanding interest to be converted. If any fractional interest in a Common Share would, except for the provisions of this Section 7.4, be deliverable upon the conversion of any Principal Amount and/or outstanding interest of Debentures, the Corporation shall, in lieu of delivering any certificate of such fractional interest, satisfy such fractional interest by paying to the Debentureholder of such surrendered Debentures an amount in lawful money of Canada equal to the Conversion Price multiplied by such fractional interest, provided that such payment is greater than $10.00.

7.5 Legends.

(a) The Debentures will contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Indenture as may be necessary or desirable to comply with the rule of any securities exchange or commission, or otherwise, as may be determined by the Corporation prior to the certification and delivery thereof.

(b) The Debentures and the Debenture Shares have not been and will not be registered under the U.S. Securities Act or under any United States state securities laws. Each Debenture certificate originally issued in the United States or to, or for the account or benefit of, a U.S. Person, and each Debenture certificate issued in exchange therefor or in substitution thereof shall bear the following legends or such variations thereof as the Corporation may prescribe from time to time:

> *"The securities represented by this certificate and issuable upon conversion hereof have not been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). The holder of this certificate, by purchasing such securities, agrees for the benefit of Falcon Oil & Gas Ltd. (the "**Corporation**") that such securities may be offered, sold or otherwise transferred only (A)(l) to the Corporation; (2) outside the United States in accordance with Rule 904 of Regulation S under the Securities Act; or (3) inside the United States in accordance with: (a) Rule 144A under the Securities Act, (b) Rule 144 under the Securities Act, if available, as confirmed by an opinion of the holder's counsel, which opinion and which counsel are both reasonably acceptable to the Corporation and the Trustee, or (c) in accordance with another exemption from the registration requirements of the Securities Act, as confirmed by an opinion of the holder's counsel, which opinion and which counsel are both reasonably acceptable to the Corporation and the Trustee, to the effect that such transfer is in compliance with the Securities Act; and (B) in accordance with all applicable securities laws of the states of the United States. Delivery of this certificate will not constitute "good delivery" in settlement of transactions on stock exchanges in Canada. A new certificate bearing no legend, delivery of which will constitute "good delivery", may be obtained from the transfer agent and registrar of the Corporation upon delivery of this certificate and a duly executed declaration, in a form satisfactory to the transfer agent and registrar and the Corporation, to the effect that the sale of the securities represented hereby is being made in compliance with Rule 904 of Regulation S under the Securities Act."*

provided, that if Debentures or the Debenture Shares are being sold under the circumstances outlined in paragraph (A)(2) of the above legend, the legend may be removed by providing a declaration to the Trustee under this Indenture, in the case of the Debentures, as set forth in Schedule "D" (or as the Corporation may prescribe from time to time), and the Corporation's transfer agent and registrar, in the case of the Debenture Shares, as set forth in Schedule "E" (or as the Corporation may prescribe from time to time), unless these procedures are rescinded by the Corporation on the basis that they no longer comply with applicable legal requirements, and provided further, that, if any such securities are being sold under the circumstances outlined in paragraph (A)(3)(b) of the above legend, the legend may be removed by delivery to the Trustee, in the case of the Debentures, and the Corporation's transfer agent and registrar, in the case of the Debenture Shares, and the Corporation of an Opinion of Counsel reasonably satisfactory to the Corporation and the Corporation's transfer agent and registrar, that such legend is no longer required under applicable requirements of the U.S. Securities Act or U.S. state securities laws.

(c) Upon receipt of a duly executed and proper form of declaration as referred to in this Section 7.5 for either the Debentures or the Debenture Shares, as the case may be, the

Corporation shall use its reasonable best efforts to cause such legend in subsection 7.5(b) to be removed within three Business Days of receipt of such declaration.

(d) Notwithstanding any other provisions of this Indenture, in processing and registering transfers of Debentures or the Debenture Shares, no duty or responsibility whatsoever shall rest upon the Trustee to determine the compliance by any transferor or transferee with the terms of the legend contained in subsection 7.5(b), or with the relevant securities laws or regulations, including, without limitation, Regulation S of the Securities Act, and the Trustee shall be entitled to assume that all transfers are legal and proper insofar as they relate to such aforementioned legend, laws and regulations.

(e) The Trustee may assume that the address on the register of the Debentureholder is the actual address of the Debentureholder and is also determinative of the residence of such Debentureholder and the address of any transferee to whom securities are transferred as shown on the transfer form is also determinative of the residence of such transferee.

7.6 Payment.

The principal of any Debenture and all accrued interest thereon at the Maturity Date or Conversion Date, as the case may be, shall be payable at the office of the Trustee upon presentation and surrender of such Debenture.

7.7 Failure to Surrender Debentures.

(a) In case the holder of any Outstanding Debenture shall fail within 30 days after the Exchange Date, other than an Exchange Date resulting from an Automatic Conversion in which case the provisions of Section 5.2 shall apply, to surrender his, her or its Debenture or shall not within such time accept payment of the outstanding Principal Amount thereof and all accrued interest thereon, or give such receipt therefore (if any) as the Corporation or the Trustee may require, the Corporation shall be entitled to direct the Trustee to hold such monies in trust for such holder. In the case of entitlement to Debenture Shares, the Corporation shall issue such Debenture Shares in the name of the Debentureholder, deliver them to the Trustee and such setting aside by the Trustee shall for all purposes be deemed a payment to the Debentureholder of the sum so set aside by the Trustee, and the said Debenture shall thereafter not be considered as Outstanding hereunder and the Debentureholder shall have no other right (except upon surrender and delivery up of his or her Debenture) to receive Debenture Shares or interest.

(b) Any such Debenture Shares or monies so set aside, not claimed by or paid to the Debentureholder entitled thereto within six (6) years after the date of such setting aside by the Trustee shall be returned to the Corporation. Upon an Exchange Event and the completion of all other of the Trustee's duties, the Corporation shall be entitled to hold all Debenture Shares and monies not claimed in trust for the Debentureholder after the expiry of the above noted six (6) years.

7.8 Negotiability, Transfer and Registry.

(a) The Corporation shall cause to be kept by and at the office of the Trustee in the City of Vancouver or at such other place or places (if any) as the Corporation may designate, at such other place or places (if any) as may be specified in any Supplemental Indenture, the Register in which, subject to such reasonable regulations as the Corporation may prescribe, shall be entered names and addresses of the Debentureholders and particulars of the Debentures held by them. The Trustee is hereby appointed registrar for the purpose of registering Debentures and transfers thereof as herein provided. The Trustee will provide the Corporation with a current copy of the Register and/or any other documents reasonably required, within five Business Days of the Corporation's request.

(b) No transfer of a Debenture shall be valid unless made on one of the Registers therefor by the registered holder thereof or his executors, administrators or other legal representatives or by his attorney duly appointed by an instrument in writing in form and execution satisfactory to the Corporation or Trustee , upon surrender of such Debenture together with a completed written instrument of transfer in the form attached hereto as Schedule "F", completed in a manner satisfactory to the Corporation or Trustee and duly executed by such registered holder or such legal representatives or such duly authorized attorney and upon compliance with such reasonable requirements as the Corporation or Trustee may prescribe. Upon the surrender for registration of transfer of any such Debenture, the Corporation shall execute and the Trustee shall certify a new Debenture, registered in the name of the transferee, of the same aggregate Principal Amount, Maturity Date and interest rate as the surrendered Debenture. After the appropriate form of transfer is lodged with the Trustee and upon compliance with all other conditions in that regard required by this Indenture, any applicable Supplemental Indenture or by Applicable Law, the transferee of a Debenture shall be entitled to be entered on the Register as the holder of such Debenture, free from all equities or rights of set-off or counterclaim between the Corporation and his or her transferor or any previous holder of such Debenture, save in respect of equities of which the Corporation is required to take notice by statute or by order of a court of competent jurisdiction, and all Persons may act accordingly. Notwithstanding the foregoing, the Corporation will not be required to register any transfer of a Debenture within ten Business Days of a date on which interest payment or principal payment is due on the Debentures.

(c) The Corporation and the Trustee may deem and treat the Person in whose name any Debenture is registered as the absolute owner thereof, whether such Debenture shall be overdue or not, for all other purposes, and neither the Corporation nor the Trustee shall be affected by any notice to the contrary.

7.9 Regulations with Respect to Exchanges and Transfers.

In all cases in which the privilege of exchanging Debentures or registering the transfer of Debentures is exercised, the Corporation shall execute and the Trustee shall certify and deliver Debentures in accordance with the provisions of this Indenture and any applicable Supplemental Indenture. Subject to Section 7.8(c), all Debentures surrendered for exchange or registration of transfer shall forthwith be cancelled by the Trustee. For every exchange or registration of transfer of Debentures, the Corporation or the Trustee, as a condition precedent to the privilege of making such exchange or registration of transfer, may make a charge sufficient to reimburse it for any tax, or other governmental charge required to be paid with respect to such exchange or registration of transfer. A reasonable charge shall be made to the holder in connection with such exchange or registration of transfer to pay the cost of preparing each new Debenture issued upon such exchange or registration of transfer.

7.10 Debentures Mutilated, Defaced, Destroyed, Stolen or Lost.

In case any Debenture shall become mutilated or defaced, or be destroyed, stolen or lost, the Corporation shall, subject to Applicable Law, execute, and thereupon the Trustee, at its principal corporate trust office, shall authenticate and deliver a new Debenture of like date and tenor so mutilated, defaced, destroyed, stolen or lost, in exchange and substitution for such mutilated or defaced Debenture, upon surrender and cancellation thereof, or in lieu of and substitution for such destroyed, stolen or lost Debenture, upon filing with the Trustee evidence satisfactory to the Corporation and the Trustee, in their discretion, that such Debenture has been destroyed, stolen or lost and proof of ownership thereof, and upon the Debentureholder furnishing the Corporation and the Trustee with an indemnity bond in amount and form satisfactory to them, in their discretion, and complying with such other reasonable terms and conditions as the Corporation and the Trustee may prescribe and paying such reasonable charges and expenses as the Corporation and the Trustee may incur in connection herewith. All mutilated or defaced Debentures surrendered to the Trustee pursuant to this Section 7.10 shall be cancelled by it. Any new Debenture certified and delivered pursuant to this Section 7.10 in substitution for a Debenture mutilated or defaced or alleged to be destroyed, stolen or lost shall constitute original contractual obligations on the part of the Corporation, whether or not the Debenture so alleged to be destroyed, stolen, or lost, constitutes contractual obligations at any time enforceable by anyone. Any new Debenture authenticated and delivered pursuant to this Section 7.10 shall be entitled to all the benefits of this Indenture and any Supplemental Indenture.

7.11 Cancellation and Destruction of Debentures.

Upon the occurrence of an Exchange Event, other than an Exchange Event resulting from an Automatic Conversion in which case the provisions of Section 5.2 shall apply, all Debentures shall be delivered to the Trustee when exchanged, and such Debentures shall thereupon be promptly cancelled. No Debentures shall be authenticated in lieu of or in exchange for any Debentures cancelled as provided in this Section 7.11, except as expressly permitted under this Indenture. Debentures so cancelled may at any time be destroyed by the Trustee in accordance with standard industry practice, who shall execute a certificate of destruction in duplicate by the signature of its authorized officers describing the Debentures so destroyed, and one executed certificate shall be filed with the Corporation and the other executed certificate shall be retained by the Trustee.

7.12 Execution.

(a) The Debentures shall be executed in the name, and on behalf, of the Corporation by the manual or facsimile signature of an Authorized Officer. Debentures bearing such facsimile signatures shall be binding upon the Corporation as if they had been manually signed by such Authorized Officer.

(b) In case any director or officer whose signature, or a facsimile of whose signature, shall appear on any Debentures shall cease to be an Authorized Officer before authentication and delivery of such Debentures by the Trustee, such Debentures shall nevertheless be valid and binding upon the Corporation for all purposes as if such director or officer had not ceased to be an Authorized Officer. Any Debenture may be signed, sealed or not sealed, or attested on behalf of the Corporation by any Person, who, on the date of such act, shall be an Authorized Officer, notwithstanding that at the date of such Debenture such Person may not have been an Authorized Officer.

(c) The Corporation may from time to time adopt and use for that purpose the facsimile signature of any Person who shall be an Authorized Officer at the time the Corporation adopts such signature for such purpose notwithstanding that at the date of such Debenture such Person may not be an Authorized Officer or that at the time such Debentures shall be authenticated and delivered such Person may have ceased to be an Authorized Officer.

7.13 Certification.

(a) The Debentures shall bear thereon a certification executed manually by the Trustee. No Debenture shall be issued or, if issued, shall be obligatory or entitle the holder to any right or benefit under this Indenture or any Supplemental Indenture or shall be valid or obligatory for any purpose until such certification shall have been duly executed by the Trustee. Such certification of the Trustee upon the Debentures executed by or on behalf of the Corporation shall be conclusive evidence as against the Corporation that the Debentures so certified have been duly executed, certified and delivered under this Indenture and the Supplemental Indenture and that each such Debenture is a valid and binding obligation of the Corporation and that the holder thereof is entitled to the benefits of this Indenture and any applicable Supplemental Indenture.

(b) The certification of the Trustee on Debentures shall not be construed as a representation or warranty by the Trustee as to the validity of this Indenture, any Supplemental Indenture or of the Debentures (except the due certification thereof and any other warranties implied by law), the proper maintenance of the Register or of the performance by the Corporation of its obligations under this Indenture or any Supplemental Indenture and the Trustee shall in no respect be liable or answerable for the use made of the Debentures or any of them or of the proceeds thereof.

ARTICLE 8 - ADJUSTMENT OF CONVERSION RIGHTS

8.1 Reclassification.

In the case of any reclassification of the Common Shares at any time outstanding or change of the Common Shares into some other shares, in case of a Corporate Reorganization of the Corporation (other than a Corporate Reorganization which does not result in a reclassification of the outstanding Common Shares or a change of the Common Shares into some other shares), all only as permitted hereunder, the Debentureholder shall be entitled to receive upon conversion, and shall accept, in lieu of the number of Common Shares to which it was theretofore entitled upon such conversion, the kind and amount of shares and other securities or property which such Debentureholder would have been entitled to receive as a result of such Corporate Reorganization if, on the effective date thereof, it had been the registered holder of the number of Common Shares to which it was theretofore entitled upon conversion. If necessary, appropriate adjustments shall be made in the application of the provisions set forth in this Article 8 with respect to the rights and interests thereafter of the Debentureholder. Any such adjustments shall be made by and set forth in a Supplemental Indenture hereto approved by the board of directors of the Corporation and shall for all purposes be conclusively deemed to be an appropriate adjustment.

8.2 Adjustment of Conversion Price.

(a) The Conversion Price in effect at any date shall be subject to adjustment from time to time as in this Section 8.2 provided, with the proviso that the events giving rise to an adjustment be only as permitted hereunder.

(b) If and whenever the Corporation shall:

(i) subdivide or redivide the outstanding Common Shares into a greater number of shares;

(ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of shares; or

(iii) issue options, rights or warrants to holders of Common Shares entitling them to acquire Common Shares or other securities convertible into Common Shares at less than 95% of the then current market price of the Common Shares,

(iv) issue any Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of a stock dividend (other than any stock dividends constituting dividends paid in the ordinary course),

(v) fix a record date for the distribution to all holders of Common Shares of any securities or assets other than cash dividends and equivalent distributions in securities paid in lieu of cash dividends,

the number of Debenture Shares which may be acquired pursuant to this Indenture in effect on the effective date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of rights or Debenture Shares or any securities or assets other than cash dividends and equivalent distributions by way of a stock dividend, as the case may be, shall be increased, in the case of the events referred to in (i), (iii) and (v) above, in the proportion which the number of Common Shares outstanding before such subdivision, redivision or dividend bears to the number of Common Shares outstanding after such subdivision, redivision or dividend, or shall be decreased, in the case of the events referred to in (ii) above, in the proportion which the number of Common Shares outstanding before such reduction, combination, or consolidation bears to the number of Common Shares outstanding after such reduction, combination or consolidation, and the Conversion Price shall be adjusted accordingly and in the case of (v) above, in a proportionate value.

There will be no adjustment of the Conversion Price in the events described in (iii) to (v) above if the Debentureholders are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Corporation will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

Any such issue of Common Shares by way of a stock dividend shall be deemed to have been made on the record date fixed for such stock dividend for the purpose of calculating the number of outstanding Common Shares under this Section 8.2(b) or Section 8.2(d).

(c) In the case of any reclassification (other than a reclassification referred to in Section 8.1 or a Change of Control) of, or other change in, the outstanding Common Shares into which the Debentures are convertible into Debenture Shares other than a subdivision, redivision, reduction, combination or consolidation, the number of Debenture Shares which may be acquired pursuant to this Indenture and the Conversion Price shall be adjusted in such manner as the board of directors of the Corporation determine to be appropriate on a basis consistent with this Section 8.2.

(d) The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or re-adjustment as provided in this Section 8.2, deliver a notice to the Trustee, the Debentureholders and the Depositary specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which notice and the amount of the adjustment specified therein shall be verified by the Corporation's Chief Financial Officer.

(e) If any question arises with respect to the adjustments provided in this Section 8.2, such question shall be conclusively determined by the Corporation's auditors. All costs in this regard shall be borne by the Corporation.

(f) In the case of a reclassification or a capital reorganization (other than a change resulting from consolidation or subdivision or a Change of Control) of the Common Shares or in the case of any consolidation, amalgamation or merger of the Corporation with or into any other entity, or in the case of a sale or conveyance of the properties and assets of the Corporation as, or substantially as, an entirety to any other entity, or a liquidation, dissolution, winding-up of the Corporation or other similar transaction, the terms of the conversion privilege shall be adjusted so that each holder of a Debenture shall, after such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, liquidation, dissolution, winding up or other similar transaction, be entitled to receive the number of Debenture Shares, shares of stock, securities or assets as such holder would be entitled to receive if on the effective date thereof, it had been the holder of the number of Debenture Shares into which the Debenture was convertible immediately prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, liquidation, dissolution, winding up or other similar transaction. No consent of the Debentureholders will be required in connection with any of the events described in this paragraph and the Debentureholders will have no voting or other approval rights with respect to any such event.

(g) Subject to Article 6 hereof, the provisions of which shall prevail over this subsection 8.2(g) in the event of conflict, if and whenever at any time after the date hereof, there is a reclassification of the Common Shares at any time outstanding or change of the Common Shares into other shares or into other securities or other capital reorganization (other than a Common Share reorganization), or a consolidation, amalgamation or merger of the Corporation with or into any other entity, other than a transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another entity in which the holders of Common Shares are entitled to receive common shares, other securities or other property (any of such events being called a "**Capital Reorganization**"), any Debentureholder of Debentures who exercises the right to convert Debentures into Debenture Shares then held after the effective date of such Capital Reorganization will be entitled to receive, and will accept for the same aggregate consideration in lieu of the number of Debenture Shares to which such Debentureholder was previously entitled upon such conversion, the aggregate number of other securities or other property (including cash) which such holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, the holder had been the registered holder of the number of Debenture Shares to which such Debentureholder was previously entitled upon conversion. the Corporation will take all steps necessary to ensure that, on a Capital Reorganization, the Debentureholders will receive the aggregate number of other securities or other property to which they are entitled as a result of the Capital Reorganization. Appropriate adjustments will be made as a result of any such Capital Reorganization in the application of the provisions set forth in this Section 8.2(f) with respect to the rights and interests thereafter of Debentureholders to the end that the provisions set forth in this Section 8.2(f) will thereafter correspondingly be made applicable as nearly as may reasonably be possible in relation to any other securities or other property thereafter deliverable upon the conversion of any Debenture. Notwithstanding the foregoing, the Corporation shall not effect any Capital Reorganization unless, prior to or concurrent therewith, an appropriate adjustment to give effect to this subsection is made by and set forth in an indenture supplemental hereto approved by action of the board of directors of the Corporation and by the Trustee and entered into pursuant to the provisions of Section 11.1 in which event such adjustment will for all purposes be conclusively deemed to be an appropriate adjustment, subject to any required written consent of the TSXV.

8.3 Notice of Special Matters.

The Corporation shall give notice to the Debentureholders, in the manner provided in Article 10, of its intention to fix a record date for any event mentioned in Section 8.2 which may give rise to an adjustment in the number of Debenture Shares which may be acquired pursuant to this Indenture, and, in each case, such notice shall specify the particulars of such event and the record date and the effective date for such event; provided that the Corporation shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than seven Business Days prior to such applicable record date.

The Trustee shall:

(a) not at any time be under any duty or responsibility to any Debentureholder to determine whether any facts exist which may require any adjustment when made, or with respect to the method employed in making the same;

(b) not be accountable with respect to the validity or value (or kind or amount) of any Debenture Shares or of any shares or other securities or property which may at any time be issued or delivered upon the exercise of the Debentures;

(c) not be responsible for any failure of the Corporation to make any cash payment or to issue, transfer or deliver Debenture Shares or certificates for the same upon the surrender of any Debentures for the purpose of the exercise of such rights or to comply with any of the covenants contained in this Indenture;

(d) not incur any liability or responsibility whatever or be in any way responsible for the consequence of any breach on the part of the Corporation of any of the representations, warranties or covenants herein contained or of any acts or deeds of the agents or servants of the Corporation; and

(e) be entitled to act and rely on any adjustment calculation of the directors or the Corporation's Auditors.

ARTICLE 9 – COVENANTS OF THE CORPORATION

9.1 Positive Covenants.

The Corporation covenants and agrees that it shall:

(a) at all times reserve and keep available out of its authorized capital, Common Shares solely for the purpose of issue upon conversion of Debentures as provided herein, such number of Common Shares as shall then be issuable upon the conversion of the Debentures. All Debenture Shares which shall be so issuable shall be duly and validly issued as fully paid and non-assessable;

(b) pay the Taxes promptly as they fall due;

(c) duly and punctually pay or cause to be paid the principal of and interest on, all Debentures and all other amounts owing in respect of all Debentures, and all payments due hereunder in strict conformity with the terms of such Debentures and of this Indenture, and that it shall faithfully observe and perform all the conditions, covenants and requirements of this Indenture, each Supplemental Indenture and the Debentures issued thereunder;

(d) upon issuance of the Debentures, it shall deposit into escrow with a third party escrow agent an amount equal to the first two interest payments payable under the Debentures, and the Interest Escrow Agreement shall stipulate that the escrow agent thereunder shall release to the Corporation an amount equal to the first or second interest payment, as applicable, from the escrowed funds, upon receipt of confirmation that the Corporation has paid such interest payment;

(e) maintain its corporate existence in good standing;

(f) carry on and conduct its business in a proper manner and shall, except as expressly permitted hereunder, from time to time take all reasonable steps to maintain its assets and comply with all Applicable Laws;

(g) promptly provide the Trustee with notice (in accordance with Article 10) of the occurrence of an Event of Default and of any other event, circumstance or matter which may reasonably be expected to have a material adverse effect on the financial condition of the Corporation, or its ability to perform any material obligation hereunder, as well as of the steps being taken to remedy the same;

(h) notify the Trustee in writing forthwith in the event that it changes its address;

(i) in the event that it shall begin, or cease, to file as a "Foreign Issuer" with the U.S. Securities and Exchange Commission, the Corporation shall promptly deliver to the Trustee an Officer's Certificate in a form substantially provided by the Trustee certifying as to the Corporation's "reporting issuer" and/or "Foreign Issuer" status and any other information the Trustee may reasonably require;

(j) deliver to the Trustee, prior to January 1 of each year commencing January 1, 2010, an Officer's Certificate as to the knowledge of such officer who executes the Officer's Certificate certifying that after reasonable investigation and inquiry, the Corporation has made all interest payments required to be made pursuant to this Indenture to the Debentureholders and has complied with all covenants, conditions or other requirements contained in this Indenture, that, if not complied with, would, with the giving of notice, lapse or otherwise, constitute an Event of Default, or, if such is not the case, setting forth with reasonable particulars the circumstances of any failure to comply and steps taken or proposed to be taken to eliminate such circumstances and remedy such interest payment failure or non-compliance;

(k) use its best efforts to maintain its status as a "reporting issuer" (or the equivalent thereof) not in default of the requirements of the Securities Laws of at least one of the Qualifying Provinces for a period of four years following the Subscription Date;

(l) use its best efforts to maintain the listing of the Common Shares and the Debentures on the TSXV or such other recognized stock exchange or quotation system as the Trustee may in writing approve, acting reasonably, for a period of four years following the Subscription Date;

(m) for a period of at least four years following the Subscription Date, use its reasonable best efforts to remain a corporation validly subsisting under the laws of its jurisdiction of incorporation, licensed, registered or qualified as an extra-provincial or foreign corporation in all jurisdictions where the character of its properties owned or leased or the nature of the activities conducted by it make such licensing, registration or qualification necessary and shall carry on its business in the ordinary course and in compliance in all material respects with all applicable laws, rules and regulations of each such jurisdiction;

(n) do or cause to be done all such acts and things and shall execute or cause to be executed all such documents, agreements and other instruments as may reasonably be necessary or desirable for the purpose of carrying out the provisions and intent of this Indenture;

(o) pay to the Trustee from time to time remuneration for its services hereunder and will pay or reimburse the Trustee, upon its request, for all reasonable expenses and disbursements incurred or made by the Trustee in the administration of its services and duties created hereby (including the reasonable fees and disbursements of its counsel and all other advisers and assistants not regularly in its employ). Any amount due under this Section and unpaid 30 days after request for such payment, will bear interest from the expiration of such 30 days at a rate per annum equal to the then current rate charged by the Trustee from time to time, payable on demand. All amounts so payable and the interest thereon will be payable out of any assets in the possession of the Trustee in priority to amounts owing to any and all other parties. The foregoing Section shall survive the termination of this Agreement or the resignation or removal of the Trustee;

(p) file with the Trustee (the Trustee shall have no duty to verify any of the documents or financial reports provided in Section 9.1(p)) and provide the Debentureholders with the documents required to be sent its shareholders pursuant to applicable securities laws in the Provinces of Canada in which the Corporation is a reporting issuer and within the time prescribed by such applicable securities laws. In the event the Corporation is no longer subject to such applicable securities laws of the Province of Ontario, the Corporation shall continue to provide to the Trustee and the Debentureholders:

  (i) within 120 days after the end of each fiscal year, copies of its annual consolidated financial statements; and

  (ii) within 60 days after the end of each of the first three fiscal quarters of each fiscal year, interim unaudited consolidated financial statements which shall, at a minimum, contain such information required to be provided in quarterly reports under the applicable securities laws of the Province of Ontario;

(q) notify the Trustee in writing immediately upon becoming aware of any Event of Default hereunder.

9.2 Negative Covenants.

The Corporation covenants and agrees that it shall not (collectively, the "**Negative Covenants**"):

(a) declare any dividend (other than a dividend consisting of Common Shares) or redeem, repurchase or otherwise acquire for value and outstanding share of any class of capital stock of the Corporation;

(b) issue, incur, assume or otherwise become liable for or in respect of any indebtedness, other than: (i) in connection with Project Financing; (ii) normal course operating indebtedness up to a maximum of U.S.$25,000,000; (iii) accounts payable and accrued liabilities of the Corporation incurred in the ordinary course of business; and (iv) any indebtedness incurred for the principal purpose of repaying all amounts then owing under the Debentures (collectively, "**Permitted Indebtedness**");

(c) other than in connection with Permitted Indebtedness or Permitted Encumbrances, grant, create, assume or suffer to exist any mortgage, charge, lien, pledge or security interest affecting any of the Corporation's properties, assets or rights;

(d) change its name or amalgamate with another corporation under a different name without giving at least ten days' prior written notice to the Trustee of the new name and the date upon which such change of name or amalgamation is to take effect and, within five Business Days of the change of name or amalgamation, the Corporation shall provide the Trustee with:

    (i) a notarial or certified copy of the articles of amendment or articles of amalgamation affecting the change of name;

    (ii) a new certificate setting out the Authorized Officers, if applicable; and

    (iii) an opinion from counsel satisfactory to the Trustee as to the correct name of the Corporation and confirming that all appropriate registrations, filings or recordings have been made.

ARTICLE 10 - NOTICE

10.1 Notice to the Corporation.

Any notice to the Corporation under the provisions hereof shall be valid and effective if:

(a) sent by facsimile to (303) 572-8927; and

(b) delivered to:

1875 Lawrence Street
Suite 1400
Denver, Colorado
80202

in each case to the attention of the Chief Executive Officer of the Corporation, with a copy to Counsel to the Corporation at the time of delivery or sending by electronic communication, sent to:

> Aird & Berlis LLP
> Barristers and Solicitors
> Suite 1800, Box 754
> 181 Bay Street
> Toronto, Ontario
> M5J 2T9
>
> Attention: Daniel Bloch
> Fax: (416) 863-1515

Any such delivery shall be deemed to have been given at the time of delivery or sending of the facsimile. Any delivery made or sent on a day other than a Business Day, or after 4:00 p.m. on a Business Day, shall be deemed to be received on the next following Business Day. The Corporation may from time to time notify the Trustee of a change in address or facsimile number which thereafter, until changed by like notice, shall be the address or facsimile number of the Corporation for all purposes of this Indenture and any Supplemental Indentures.

10.2 Notice to the Debentureholders.

Any notice to the Debentureholders under the provisions hereof shall be valid and effective if it is delivered, or mailed postage prepaid, addressed to such holders, at their addresses, appearing in any of the Registers hereinbefore mentioned and, subject as provided in this Section 10.2, shall be deemed to have been received at the time of delivery or on the fifth Business Day after mailing. Any delivery made or facsimile sent on a day other than a Business Day, or after 4:00 p.m. on a Business Day, shall be deemed to be received on the next following Business Day. All notices to joint holders of any Debenture may be given to whichever one of the holders thereof is named first in the Registers hereinbefore mentioned, and any notice so given shall be sufficient notice to all holders of such Debenture. In the event of a postal disruption, notices to Debentureholders shall be deemed to have been sent and received upon publication of the particulars of the notice in a newspaper of general circulation in Ontario.

10.3 Notice to the Trustee.

Any notice to the Trustee under the provisions hereof shall be valid and effective if:

(a) sent by facsimile to (604) 661-9403; or

(b) delivered to the Trustee at:

> 510 Burrard Street, 3rd Floor
> Vancouver, B.C.
> V6C 3B9

in each case to the attention of Manager, Corporate Trust.

Any such delivery shall be deemed to have been given at the time of delivery or sending by facsimile. Any delivery made or facsimile sent on a day other than a Business Day, or after 4:00 p.m. on a Business Day, shall be deemed to be received on the next following Business Day. The Trustee may from time to time notify the Corporation of a change in address or facsimile number which thereafter, until changed by like notice, shall be the address or facsimile number of the Trustee for all purposes of this Indenture.

10.4 Notice by the Trustee.

The Trustee shall not be bound to give notice to any Person of the execution hereof, nor to do, observe or perform or see to the observance or performance by the Corporation of any of the obligations herein imposed upon the Corporation or of the covenants on the part of the Corporation herein contained. The Trustee shall not incur any liability or responsibility whatsoever or be in any way responsible for the consequence of any breach on the part of the Corporation of any of the covenants of the Corporation herein contained or of any acts of the agents of the Corporation. The Trustee shall not be liable for any action or omission on its part, except through its own gross negligence.

ARTICLE 11 - SUPPLEMENTAL INDENTURES

11.1 Supplemental Indentures.

From time to time the Corporation and the Trustee may, subject to the provisions of this Indenture and any Supplemental Indentures, and they shall, when so directed by this Indenture, execute and deliver by their proper officers, indentures or instruments supplemental hereto, which thereafter shall form part hereof, for any one or more or all of the following purposes:

(a) providing for an additional series of Debentures and amending this Indenture as necessary to provide for an additional series;

(b) giving effect to any resolution passed as provided in Article 12;

(c) evidencing the succession of successor entities to the Corporation and the covenants of, and obligations assumed by, such successor entities in accordance with the provisions of Section 11.3;

(d) adding to or altering the provisions hereof for any purpose not inconsistent with the provisions of this Indenture, provided that the Debentureholders are not prejudiced thereby based on the Opinion of Counsel;

(e) making any additions to, deletion from or alterations of the provisions of this Indenture, any Supplemental Indenture or the Debentures that are necessary in order to comply with Applicable Law;

(f) adding to or altering the provisions hereof in respect of the registration and transfer of the Debentures provided that the rights of the Debentureholders are not prejudiced thereby based on the Opinion of Counsel;

(g) making any modifications in the form of the Debentures which does not affect the substance thereof;

(h) making such amendments, deletions or alterations hereto, without the consent of the Debentureholders, that may be considered necessary or desirable to give effect to any applicable legislation or regulation governing the rights and duties of the Trustee; and

(i) for any other purposes not inconsistent with the terms of this Indenture or any Supplemental Indentures, including the correction or rectification of any ambiguities, defective provisions, errors or omissions herein or therein provided that, in the Opinion of Counsel, the rights of the Trustee and the Debentureholders are in no way prejudiced thereby.

11.2 Correction of Manifest Errors.

The Corporation and the Trustee may correct typographical, clerical and other manifest errors in this Indenture, any Supplemental Indentures or the Debentures provided that such correction shall, in the Opinion of Counsel, in no way prejudice the rights of the Trustee or of the Debentureholders hereunder or thereunder, and the Corporation and the Trustee may execute all such documents as may be necessary to correct such errors.

11.3 Successor Entities.

(a) Subject to Article 6, in the event that the Corporation shall enter into any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other Person whether by way of arrangement, reconstruction, reorganization, consolidation, amalgamation, merger, transfer, sale or otherwise the following shall be done:

(i) the surviving entity shall execute and deliver to the Trustee, prior to or contemporaneously with or, in the case of a consolidation, amalgamation or merger, immediately following the consummation of such transaction, such instruments as are satisfactory to the Trustee and, in the Opinion of Counsel, are necessary or advisable to evidence the assumption by the surviving entity of all the covenants and obligations of each predecessor company under this Indenture and any Supplemental Indentures;

(ii) such transaction shall, in the Opinion of Counsel, be upon such terms as are required to preserve in all material respects and not impair the rights and powers of the Trustee or the Debentureholders hereunder or under any Supplemental Indenture; and

(iii) the Trustee has received an Officer's Certificate from the Corporation confirming that, after giving effect to any such transaction, (A) the Corporation shall not be in default of any obligation to the Trustee or the Debentureholders hereunder or under any Supplemental Indenture, nor shall any surviving entity be in default of any obligation to the Trustee or the Debentureholders hereunder or under any Supplemental Indenture; and (B) no Event of Default shall have occurred and be continuing;

(b) Whenever the conditions of Section 11.3(a) have been duly observed and performed the successor entity shall possess and from time to time may exercise each and every right and power of each predecessor entity under this Indenture and any Supplemental Indentures, in the name of such predecessor entities or otherwise and any act or proceeding by any provision of this Indenture and any Supplemental Indentures, required to be done or performed by the Corporation Trustees, directors or officers of any such predecessor entity may be done and performed with like force and effect by the like directors or officers of such successor entity.

11.4 General Provisions.

(a) This Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article 11 and Article 12.

(b) Any Supplemental Indenture referred to and permitted by Section 11.1 shall become effective only on the conditions, to the extent and at the time provided in such section. The copy of every Supplemental Indenture delivered to the Trustee shall be accompanied by an Opinion of Counsel that such Supplemental Indenture has been duly and lawfully adopted in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture, and all conditions precedent have been satisfied, and is valid and binding upon the Corporation and enforceable in accordance with its terms, subject to usual and customary exceptions.

(c) The Trustee is hereby authorized to enter into any Supplemental Indenture permitted by Section 11.1 and to make all further agreements and stipulations which may be required or permitted to be made by the Trustee pursuant to any such Supplemental Indenture, and the Trustee, in taking such action, shall be fully protected in acting in reliance on an Opinion of Counsel that such Supplemental Indenture is authorized or permitted by the provisions of this Indenture, and all conditions precedent have been satisfied.

ARTICLE 12 - RESOLUTIONS OF DEBENTUREHOLDERS

12.1 Right to Convene Meeting.

The Trustee may at any time and from time to time and shall, on receipt of a Written Request of the Corporation or a written request signed in one or more counterparts by the holder or holders of Debentures representing not less than 75% of the total Principal Amount of all Debentures then Outstanding, and upon receiving funding and being indemnified to its reasonable satisfaction by the Corporation or by the Debentureholders signing such written request, as the case may be, against the costs that may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Debentureholders. If the Trustee fails, within 30 days after receipt of such request and funding and indemnity, to give notice convening such meeting, the Corporation or such Debentureholders, as the case may be, may convene such meeting. Every meeting of Debentureholders shall be held in a place as may be approved or determined by the Trustee.

12.2 Notice.

At least 21 days' notice of any meeting shall be given to the Debentureholders (in accordance with Article 10) and a copy thereof shall be given to the Trustee (in accordance with Article 10), unless the meeting has been called by the Trustee, and to the Corporation, unless the meeting has been called by the Corporation. Such notice shall state the time when and place where the meeting is to be held and set out the general nature of the business to be transacted thereat. It is not necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article 12.

12.3 Chairperson.

An individual, who need not be a Debentureholder, nominated in writing by the Trustee, shall be chairperson of the meeting. If no individual is so nominated, or if the individual so nominated is not present within 30 minutes after the time fixed for the holding of the meeting, the Debentureholders present in person or by proxy may choose any individual present to be chairperson of the meeting.

12.4 Quorum.

Unless otherwise provided in this Indenture:

(a) at any meeting of Debentureholders, a quorum shall consist of two or more Debentureholders present in person or by proxy and representing more than 50% of the aggregate Principal Amount of the Outstanding Debentures; and

(b) if a quorum of the Debentureholders is not present within 30 minutes after the time fixed for holding the meeting, such meeting, if convened by the Debentureholders or on a Debentureholder's Request, shall be terminated. If otherwise convened, the meeting shall be adjourned without notice to the same day in the next week (unless such day is not a Business Day in which case it shall stand adjourned to the next following Business Day thereafter) at the same time and place, unless the chairperson appoints some other place, day or time, of which not less than seven days' notice shall be given in the manner provided in Article 10. At the adjourned meeting the Debentureholders present in person or by proxy shall constitute a quorum and may transact the business for which the meeting was originally convened notwithstanding that they may not represent more than 50% of the aggregate Principal Amount of the Outstanding Debentures.

12.5 Power to Adjourn.

The chairperson of any meeting at which a quorum of the Debentureholders is present may, with the consent of the Debentureholders present, adjourn any such meeting and no notice of such adjourned meeting need be given except such notice, if any, as the meeting so adjourned may resolve.

12.6 Voting.

Every question submitted to a meeting, except an Extraordinary Resolution, shall be decided in the first place by a majority of the votes given on a show of hands or, if a poll shall be requested as hereinafter provided, by a majority of the votes cast on the poll and shall be binding on all Debentureholders. A poll shall be taken on every Extraordinary Resolution and when requested by a Debentureholder or a proxy representing a Debentureholder. On a poll, each Debentureholder shall have one vote for every 5% of Principal Amount of which he or she shall be the holder. Votes may be given in person or by proxy and a proxy need not be a Debentureholder. If at any meeting a poll is so demanded as aforesaid on the election of a chairperson or on a question of adjournment, it shall be taken forthwith. If at any meeting a poll is so demanded on any other question, or an Extraordinary Resolution is to be voted upon, a poll shall be taken in such manner and either at once or after an adjournment as the chairperson directs. The result of a poll shall be deemed to be the decision of the meeting at which the poll was demanded and shall be binding on all Debentureholders.

12.7 Regulations.

The Trustee or the Corporation, with the approval of the Trustee, may from time to time make and vary such regulations as it shall think fit providing for and governing:

(a) the voting by proxy by Debentureholders and the form of the instrument appointing a proxy, which shall be in writing, and the manner in which the same shall be executed, and for the production of the authority of any Person signing on behalf of the holder appointing such proxy;

(b) the deposit of such instruments appointing proxies at such place or places as the Person convening the meeting, may in the notice convening the meeting direct, and the time before the holding of the meeting or adjourned meeting at which the same shall be deposited;

(c) the lodging of such instruments appointing proxies at some place or places other than the place at which the meeting is to be held and for particulars of such instruments to be mailed, cabled, telegraphed, telecopied or sent by other means of communication before the meeting to the Corporation or to the Trustee at the place where the same is to be held, and that proxies so deposited may be voted upon as though the instruments themselves were produced at the meeting; and

(d) the calling of meetings of Debentureholders and the conduct of business thereat.

Any regulations so made shall be binding and effective and votes given in accordance therewith shall be valid and shall be counted. The Trustee may dispense with any such deposit and permit Debentureholders to make proof of ownership in such other manner, if any, as the Trustee and the Corporation may approve.

12.8 Corporation and Trustee may be Represented.

The Corporation and the Trustee, by their respective officers, directors and employees, and Counsel may attend any meeting of the Debentureholders, but shall have no vote as such.

12.9 Powers Exercisable by Extraordinary Resolution.

Subject to Section 12.14 and Article 13 and in addition to all other powers conferred upon them by other provisions of this Indenture, any Supplemental Indentures or Applicable Law, at a meeting of the Debentureholders, the Debentureholders shall have the following powers, exercisable from time to time by Extraordinary Resolution only:

(a) power to authorize and direct the Trustee to grant extensions of time for payment of any principal or interest on the Debentures, whether or not the principal or interest, the payment of which is extended, is as at the time due or overdue;

(b) power to authorize and direct the Trustee to file and prove a claim or debt against the Corporation in any proceedings involving the Corporation and to generally act for and on behalf of the Debentureholders in any such proceedings and to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or securities of the Corporation;

(c) power to waive and authorize and direct the Trustee to waive any Event of Default on the part of the Corporation or in complying with any provision of this Indenture, any Supplemental Indentures or the Debentures and to annul and to authorize and direct the Trustee to annul any declaration made by the Trustee pursuant to Article 13, either unconditionally or upon any conditions specified in such Extraordinary Resolution;

(d) power to waive and/or amend, and authorize and direct the Trustee to waive any Negative Covenant on the part of the Corporation or in complying with any provision of this Indenture, any Supplemental Indentures or the Debentures;

(e) power to restrain any Debentureholder from taking or instituting any action or other proceeding for the payment of principal or interest, or for the execution of any trust or power hereunder, or for the appointment of a liquidator or receiver or receiver and manager, for a receiving order under the *Bankruptcy and Insolvency Act* (Canada), or to have the Corporation wound up, or for any other remedy hereunder and to require such Debentureholder to waive any Event or Events of Default, on which any action or proceeding is founded; and, in any case any action or other proceeding shall have been brought by any holder or holders of any Debentures after failure of the Trustee to act, power to direct such holder or holders and the Trustee to waive the Event of Default in respect of which such action or other proceeding shall have been brought, upon payment of the costs, charges and expenses incurred in connection therewith, and to stay or discontinue or otherwise deal with any such action or other proceeding;

(f) power to repeal, modify or amend any Extraordinary Resolution previously passed by the Debentureholders;

(g) power to remove the Trustee and appoint a new Trustee; and

(h) except with respect to amendments of this Indenture made in accordance with Section 11.2, power to amend the provisions of this Indenture as agreed to by the Corporation and the Trustee.

12.10 Powers Cumulative.

Any one or more of the powers and any combination of the powers of this Indenture or any Supplemental Indentures stated to be exercisable by the Debentureholders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers from time to time shall not be deemed to exhaust the right of the Debentureholders to exercise such powers thereafter from time to time.

12.11 Minutes.

Minutes of all resolutions and proceedings at every meeting of the Debentureholders shall be made and duly entered in books to be from time to time provided for that purpose by the Trustee at the expense of the Corporation, and any such minutes, if signed, by the chairperson of the meeting at which resolutions were passed or proceedings had, or by the chairperson of the next succeeding meeting of the Debentureholders, shall be *prima facie* evidence of the matters therein stated and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes shall have been made, shall be deemed to have been duly held and convened, and all resolutions passed thereat or proceedings had, to have been duly passed and had.

12.12 Binding Effect of Resolutions.

Every Extraordinary Resolution or Unanimous Debentureholders' Resolution passed in accordance with the provisions hereof at a meeting of Debentureholders or by an instrument in writing in lieu of a meeting of Debentureholders, shall be binding upon all Debentureholders and each Debentureholder and the Trustee (subject to the provisions for its indemnity herein contained) shall be bound to give effect accordingly to every such Extraordinary Resolution or Unanimous Debentureholders' Resolution or instrument in writing.

12.13 Instruments in Writing.

All actions that may be taken and all powers that may be exercised by the Debentureholders by Extraordinary Resolution may also be taken and exercised by an instrument in writing signed in one or more counterparts by the requisite Debentureholders and the expression "Extraordinary Resolution" when used in this Indenture includes an instrument so signed; provided that, in the case of resolutions in writing, references to persons present and voting shall be references to Debentureholders having Outstanding Debentures.

12.14 Unanimous Debentureholders' Resolution.

Notwithstanding any other term of this Indenture, a Unanimous Debentureholders' Resolution shall be required in order to amend directly or indirectly or otherwise vary:

(a) the definitions of "Extraordinary Resolution" and "Unanimous Debentureholders' Resolution" set out in Section 1.1;

(b) any power exercisable by a written direction of a Debentureholder;

(c) any provision of this Indenture which expressly requires a Unanimous Debentureholders' Resolution;

(d) the *pari passu* ranking of the Debentures;

(e) Section 13.2 or Section 12.6; and

(f) this Section 12.14.

12.15 Notation of Debentures.

Debentures certified and delivered after the effective date of any action taken pursuant to Article 11 or this Article 12 may, and, if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the Corporation and the Trustee as to such actions, and in that case upon demand of the holder of any Debenture Outstanding at such effective date and presentation of his or her Debenture for that purpose at the principal office of the Trustee or upon any exchange or registration of transfer of any Debenture Outstanding at such effective date, suitable notation shall be made on such Debenture or upon any Debenture issued upon any such exchange or registration of transfer by the Trustee as to any such action. If the Corporation or the Trustee shall so determine, new Debentures so modified to conform to such action, shall be prepared, certified and delivered, and upon demand of the holder of any Debenture then Outstanding shall be exchanged, without cost to such Debentureholder, for Debentures having the same Maturity Date, upon surrender of such Debentures with the same aggregate amounts and payment dates.

ARTICLE 13 - DEFAULT AND REMEDIES

13.1 Events of Default.

Each of the following events is hereby declared an "**Event of Default**":

(a) the failure to pay any Principal Amount when due or payable under this Indenture (including, without limitation, any default in payment of amounts payable upon the occurrence of a Change of Control);

(b) if the Corporation makes default in payment of any interest due on any Debenture and if such default continues for a period of ten Business Days after the earlier of the Corporation becoming aware of the default and written notice thereof being given by the Trustee to the Corporation;

(c) the breach or failure of due observance or performance of Article 9 hereof;

(d) the Corporation shall fail or refuse to comply with any other provisions of this Indenture or any Supplemental Indenture other than those heretofore or hereafter expressly dealt with in this Section 13.1, and such failure, refusal or default continues for a period of 30 days after the earlier of the Corporation becoming aware of the default and written notice thereof being given by the Trustee to the Corporation;

(e) any representation, warranty or statement made by or on behalf of the Corporation under this Indenture or any Supplemental Indenture is untrue in any material respect at the time when or as of which it was made;

(f) if an order ceasing or suspending or prohibiting trading in any securities of the Corporation shall be issued by any stock exchange or securities regulatory authority having jurisdiction and such situation continues in excess of three weeks;

(g) if the Corporation becomes insolvent, makes any assignment in bankruptcy or makes any other assignment for the benefit of creditors, makes any proposal under the BIA or any comparable law, seeks relief under the CCAA, the *Winding Up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous law, is adjudged bankrupt, files a petition or proposal to take advantage of any act of insolvency, consents to or acquiesces in the appointment of a trustee, receiver, receiver and manager, interim receiver, custodian, sequestrator or other Person with similar powers of itself or of all or any substantial portion of its assets, or files a petition or otherwise commences any proceeding seeking any reorganization, arrangement, composition or readjustment under any applicable bankruptcy, insolvency, moratorium, reorganization or other similar law affecting creditors' rights or consents to, or acquiesces in, the filing of such petition; or

(h) failure to make an offer in the case of a Change of Control as required by Article 6.

13.2 Waiver of Default.

If an Event of Default has occurred, the Debentureholders by Extraordinary Resolution, may instruct the Trustee to waive the Event of Default and the Trustee shall thereupon waive the Event of Default upon such terms and conditions as such Debentureholders prescribe, provided that no act or omission by the Trustee or of the Debentureholders shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

13.3 Remedies in Case of Default.

(a) Subject to the provisions of Section 13.2, the provisions of any Extraordinary Resolution and to Applicable Law, if an Event of Default has occurred and is continuing, the principal of any Debenture, and any interest thereon shall become immediately due and payable and the Trustee may, in its discretion, and shall upon receipt of an Extraordinary Resolution and upon receiving sufficient funding and an indemnity satisfactory to it against all costs, expenses and liabilities to be incurred, proceed to protect and enforce its rights and the rights of the Debentureholders under this Indenture and all Supplemental Indentures, if any, by such appropriate private or judicial proceedings as the Trustee shall deem most effectual to protect and enforce such rights, whether for specific performance of any covenant or agreement in this Indenture or any Supplemental Indentures or in aid of the exercise of any power granted herein or therein, or to enforce any other proper remedy. Without limiting the generality of the foregoing, if an Event of Default has occurred and is continuing, the Trustee may and shall upon receipt of an Extraordinary Resolution, and upon receiving sufficient funding and an indemnity satisfactory to it against all costs, expenses and liabilities to be incurred, subject to Section 13.2 and the provisions of any Extraordinary Resolution, exercise one or more of the following powers:

(i) enforce any of the rights granted to the Trustee hereunder by any manner permitted by the terms hereof or otherwise by law;

(ii) charge on its own behalf and pay to others all reasonable amounts for expenses incurred and for services rendered in connection with the exercise of rights and remedies of the Trustee hereunder or under any Supplemental Indentures, including, without limiting the generality of the foregoing, reasonable legal and accounting fees and expenses, and in every such case the amounts so paid together with all costs, charges and expenses incurred in connection therewith, including interest thereon at such rate as the Trustee deems reasonable, shall be added to and form part of the obligations hereby secured;

(iii) commence an action or proceeding to require the Corporation to carry out any covenant or agreement with the Debentureholders and to perform its duties under this Indenture, any Supplemental Indentures and the Debentures;

(iv) commence an action to enjoin any acts or things which may be unlawful or in violation of the rights of the Debentureholders;

(v) enforce any judgment obtained in any such proceedings; and

(vi) appoint a receiver or receiver and manager under Section 13.4 or proceed in any court of competent jurisdiction for the appointment of a receiver or receiver and manager.

(b) Subject to the provisions of this Indenture and any Supplemental Indentures, the Trustee may:

(i) grant extensions of time;

(ii) grant releases and discharges, and

(iii) release the Trustee's rights hereunder.

(c) The Corporation shall cooperate with the Trustee and shall facilitate by all legal means the actions of the Trustee hereunder and shall not interfere with the carrying out of the powers hereby granted.

(d) Unless and until it has been required to do so under the terms hereof, the Trustee shall not be bound to give any notice or do or take any act, action or proceeding by virtue of the powers conferred on it hereby, nor shall the Trustee be required to take notice of an Event of Default, unless and until such time as the Trustee has received written notice of such Event of Default and unless it is indemnified and funded, in a manner satisfactory to it, against such expense or liability, and in the absence of such notice and subject as aforesaid, the Trustee may assume that the Corporation is not in default hereunder.

13.4 Appointment of Receiver or Receiver and Manager.

Whenever the Trustee shall determine to appoint a receiver (which term when used herein shall include a receiver and manager) the following provisions shall apply:

(a) such appointment shall be made in writing by the Trustee. The Trustee may from time to time in the same manner remove any receiver so appointed and appoint another in his stead; in making any such appointment the Trustee shall be deemed to be acting as the attorney of the Corporation;

(b) every such receiver may, in the discretion of the Trustee, be vested with all or any of the powers and discretions of the Trustee;

(c) the Trustee may from time to time require any such receiver to give security for the performance of his duties and may fix the nature and amount thereof, but shall not be bound to require such security;

(d) every such receiver may, borrow money for the purposes of carrying on and managing the operations of the Corporation, including without limitation, the Project, or for the maintenance, protection or preservation of the Property or any part thereof, and the receiver may issue certificates (herein called "**Receiver's Certificates**") for such sums as will be sufficient for obtaining upon the security of the Property or any part thereof the amounts from time to time required, and such Receiver's Certificates may be payable either to order or to bearer and may be payable at such time or times as may appear expedient, and shall bear interest as shall therein be declared, and the receiver may sell, pledge or otherwise dispose of the same in such manner as may seem advisable, and may pay such commission on the sale thereof as may appear reasonable, and the amounts from time to time payable by virtue of such Receiver's Certificate shall form a charge upon the Collateral in priority to the Debentures;

(e) every such receiver shall, so far as concerns responsibility for his acts or omissions, be deemed the agent of the Corporation and in no event the agent of the Trustee, and the Trustee shall not, in making or consenting to such appointment, incur any liability to the receiver for his remuneration or otherwise howsoever;

(f) except as may be otherwise directed by the Trustee, all monies from time to time received by such receiver shall be paid over to the Trustee to be held by it on the trusts of this Indenture or any Supplemental Indentures; and

(g) notwithstanding any rule of law or equity, the Trustee may appoint a receiver and manager hereunder, or may apply to the court of competent jurisdiction for such appointment, without proceeding to realize upon the security hereof.

13.5 Termination of Proceeding.

In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case the Corporation, the Trustee and the Debentureholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

13.6 Limitation on Rights of Debentureholders.

No Debentureholder shall have any right to institute any suit, action or other proceeding under this Indenture or any Supplemental Indentures, or for the protection or enforcement of any right or remedy under this Indenture or any Supplemental Indenture, unless such holder shall have given to the Trustee notice (in accordance with Article 10) of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless an Extraordinary Resolution requesting the Trustee to institute such suit, action proceeding shall have been delivered to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under Applicable Law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee security (including sufficient funding) and indemnity against the costs, expenses and liabilities to be incurred therein or thereby satisfactory to the Trustee, and the Trustee shall have refused or neglected to comply with such request within a reasonable time, and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under this Indenture or any Supplemental Indenture or at law. It is understood and intended that no one or more holders of the Debentures hereby secured shall have any right in any manner whatever by his, her or their action to affect, disturb or prejudice the security of this Indenture or any Supplemental Indenture, or to enforce any right under this Indenture or any Supplemental Indenture or under law with respect to the Debentures or this Indenture or any Supplemental Indenture, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all holders of the Outstanding Debentures.

13.7 Possession of Debentures by the Trustee Not Required.

All rights of action under this Indenture or any Supplemental Indenture or under any of the Debentures, enforceable by the Trustee, may be enforced by it without the possession of any of the Debentures or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the holders of such Debentures, subject to the provisions of this Indenture and any Supplemental Indentures.

13.8 Remedies Not Exclusive.

No single remedy herein conferred upon or reserved to the Trustee or to the Debentureholders by this Indenture is intended to be exclusive of any other remedy or remedies herein conferred, and each and every such remedy shall be cumulative.

13.9 No Waiver of Default.

No delay or omission by the Trustee or by any Debentureholder to exercise any right or power accruing upon any default herein or in any Supplemental Indenture shall impair any such right or power or shall be construed to be a waiver of any such default or any acquiescence therein and every power and remedy given by this Indenture or any Supplemental Indenture to the Trustee and the holders of the Debentures, respectively, may be exercised from time to time and as often as may be deemed expedient.

13.10 Notice of Debentureholders and the Corporation.

The Trustee shall give to the Debentureholders notice of each Event of Default, known to the Trustee, under this Indenture or any Supplemental Indenture forthwith and in any event within 30 days after receiving notice of the occurrence thereof pursuant to Section 13.3(d) (in accordance with Article 10), unless such Event of Default shall have been remedied or cured or necessary monies provided therefor before the giving of such notice, but, except in the case of default in the payment of the principal of or interest on any of the Debentures, the Trustee shall be protected in withholding such notice so long as the Trustee in good faith determines that the withholding of such notice is in the best interests of the Debentureholders. The Trustee shall give to the Corporation notice of any event (in accordance with Article 10) forthwith upon receiving notice of the occurrence of an Event of Default pursuant to Section 13.3(d).

ARTICLE 14 - CONCERNING THE TRUSTEE

14.1 Retain Experts.

The Trustee may appoint such agents and employ or retain such counsel, accountants, engineers, appraisers or other experts or advisers as it may reasonably require in the event of any question or dispute or for the purpose of discharging its duties hereunder and shall not be responsible for any misconduct on the part of any of them. The Trustee may pay remuneration for all services performed for it in the discharge of the trusts hereof without taxation for costs or fees of any counsel, solicitor or attorney. The costs shall be added to and be part of the Trustee's expenses hereunder.

14.2 Reliance on Experts.

The Trustee may act and rely and shall be protected in acting and relying, or refusing to act or rely, in good faith on the opinion or advice of or information obtained from any agent, counsel, accountant, engineer, appraiser or other expert or adviser, whether retained or employed by the Corporation, Debentureholders or the Trustee, in relation to any matter arising in the performance of its duties under this Indenture or any Supplemental Indenture.

14.3 Merger, Consolidation, Amalgamation.

Any company with which the Trustee may be merged, consolidated or amalgamated will become the successor trustee hereunder without any further action on the part of the Trustee.

14.4 Right to Disclose.

The Trustee shall have the right to disclose any information disclosed or released to it if in the opinion of the Trustee or in the opinion of the Trustee's legal Counsel, it is required to disclose under Applicable Laws, court order or administrative directions. The Trustee shall not be responsible or liable to any party for any loss or damage arising out of or in any way sustained or incurred or in any way relating to such disclosure.

14.5 Not Required to Expend Funds.

None of the provisions contained in this Indenture or any Supplemental Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in performing its duties or in the exercise of any of its rights or powers.

14.6 Third Party Interests.

Each party to this Indenture hereby represents to the Trustee that any account to be opened by, or interest to be held by the Trustee in connection with this Indenture, for or to the credit of such party, either (i) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which case such party hereto agrees to complete and execute forthwith a declaration in the Trustee's prescribed form as to the particulars of such third party.

14.7 Conditions Precedent to Debenture Trustee's Obligations to Act.

(a) The obligation of the Trustee to commence or continue any act, action or proceeding for the purpose of enforcing any rights of the Trustee or the Debentureholders hereunder shall be conditional upon the Debentureholders furnishing when required by notice from the Trustee, sufficient funds to commence or continue such act, action or proceeding and indemnity reasonably satisfactory to the Trustee to protect and hold harmless the Trustee against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damage it may suffer by reason thereof. None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers unless indemnified as aforesaid. The Trustee may, before commencing or at anytime during the continuance of any such act, action or proceeding require the Debentureholders at whose instance it is acting to deposit with the Trustee the Debentures held by them for which Debentures the Trustee shall issue receipts.

(b) The Trustee shall not be bound by any notice, claim or demand with respect to, or any waiver, modification, amendment, termination or rescission of this Agreement, unless received by it in writing, and signed by the parties hereto and if its duties herein are affected, unless it shall have given its prior written consent thereto.

14.8 Not Bound to Act.

The Trustee shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Trustee, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Trustee, in its sole judgment, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on ten days written notice to the Corporation, provided that: (a) the Trustee's written notice shall describe the circumstances of such non-compliance; and (b) if such circumstances are rectified to the Trustee's satisfaction within such ten day period, then such resignation shall not be effective.

14.9 Certificates.

Except as otherwise specifically provided or prescribed by this Indenture, whenever the Trustee in the administration of the provisions of this Indenture shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, the Trustee, if acting in good faith, may act and rely upon an Officer's Certificate.

14.10 Validity of Certificates.

If at any time in the performance of its duties under this Indenture or any Supplemental Indenture, it shall be necessary for the Trustee to receive, accept, act or rely upon any certificate, notice, request, waiver, consent, receipt, direction, affidavit or other paper, writing or document furnished to it and purporting to have been executed or issued by the Corporation, their Authorized Officer or Counsel, a Debentureholder or an authorized representative thereof, the Trustee shall be entitled to rely and be protected in acting upon the genuineness and authenticity of any such writing submitted to it. It shall not be necessary for the Trustee to ascertain whether or not the persons who have executed, signed or otherwise issued, authenticated or receipted such papers, writings or documents have authority to do so or that they are the same persons named therein or otherwise to pass upon any requirement of such papers, writing or documents that may be essential for their validity or effectiveness or upon the truth and acceptability of any information contained therein which the Trustee in good faith believes to be genuine.

14.11 Discretion of Trustee.

Notwithstanding anything to the contrary which may be contained herein the Trustee shall have no obligation to exercise any discretion in the performance of its obligations hereunder and shall only be required to act upon the express written instructions of the Corporation or Debentureholders as the case may be. If any provision of this agreement imposes any obligation or determination to be taken or made by the Trustee and such provision does not expressly state who shall instruct or advise the Trustee, then such instruction or advice shall be required to be provided to the Trustee by Extraordinary Resolution.

14.12 Indemnity.

In addition to and without limiting any other protection of the Trustee hereunder or otherwise by law, the Corporation shall indemnify and hold the Trustee, its officers, directors, employees, representatives and agents harmless from and against any and all liabilities, losses, claims, damages, penalties, actions, suits, demands, levies, costs, expenses and disbursements including any and all reasonable legal and adviser fees and disbursements of whatever kind or nature, which may at any time be suffered by, imposed on, incurred by or asserted against the Trustee, whether groundless or otherwise, howsoever arising from or out of any act , omission or error of the Trustee in connection with its acting as Trustee hereunder unless arising from the gross negligence or wilful misconduct on the part of the Trustee. Notwithstanding any other provision hereof, this indemnity shall survive the removal, or resignation of the Trustee, discharge of this Indenture and any Supplemental Indenture and termination of any trust created hereby.

14.13 Trustee's Responsibilities.

For greater certainty, the Trustee's obligations and responsibilities outlined herein are effective as of the date of this Indenture. The Trustee shall:

(a) exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances;

(b) disburse monies according to this Agreement only to the extent that monies have been deposited with it;

(c) maintain the Register;

(d) provide the Escrow Agent with a Notice of Release at any and all applicable times for so long as the Interest Escrow Agreement is in effect, and the Trustee shall be entitled to:

  (i) rely on direction of the Corporation in preparing such Notice of Release; or

  (ii) send the Escrow Agent a copy of such Notice of Release sent to the Trustee by the Corporation;

(e) not be liable for or by reason of any statement of fact or recitals in this Indenture or in the Debentures or be required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Corporation;

(f) have no duties except those which are expressly set forth herein, and the Trustee shall not be liable except for the performance of such duties and obligations as shall specifically be set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee;

(g) not be responsible for assessing the validity or advisability of any directions or instructions received by it and shall under no circumstances be deemed to provide legal, investment, tax or trading advice or counselling; and

(h) incur no liability with respect to the delivery or non-delivery of any certificate or certificates whether delivered by hand, mail or any other means.

14.14 Trustee Not to be Appointed Receiver.

The Trustee and any person related to the Trustee will not be appointed a Receiver or liquidator of all or any part of the assets or undertaking of the Corporation.

14.15 Trustee May Deal In Debentures.

The Trustee may buy, sell, lend upon and deal in the Debentures or other securities of the Corporation, either with the Corporation or otherwise, and generally contract and enter into financial transactions with the Corporation.

14.16 Replacement of Trustee.

The Trustee may resign its trust and be discharged from all other duties and liabilities hereunder, subject to this Section 14.16, by giving the Corporation not less than 60 days prior notice in writing or such shorter notice as the Corporation may accept as sufficient. The Debentureholders by Extraordinary Resolution shall have power at any time to remove the existing Trustee and to appoint a new Trustee. In the event of the Trustee resigning or being removed or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder, the Company shall forthwith appoint a new Trustee unless a new Trustee has already been appointed by the Debentureholders. Failing such appointment by the Corporation, the retiring Trustee, at the expense of the Corporation, or any Debentureholder may apply to a Judge of the Supreme Court of British Columbia, on such notice as such

Judge may direct, for the appointment of a new Trustee; but any new Trustee so appointed by the Corporation or by the Court shall be subject to removal as aforesaid by the Debentureholders. Any new Trustee appointed under any provision of this Section 14.16 shall be a corporation authorized to carry on the business of a trust company in the Province of B.C. and, if required by applicable legislation for any other Qualifying Provinces, in such other provinces. On any such appointment, the new Trustee shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as Trustee.

Upon the appointment of a successor Trustee, the Fund shall promptly notify the Debentureholders thereof in the manner provided for in Article 10.

Any Person into which or with which the Trustee may be merged or consolidated or amalgamated, or any Person resulting therefrom to which the Trustee shall be a party, or any Person succeeding to the corporate trust business of the Trustee shall be the successor Trustee under this Indenture without any further act on its part or any of the parties hereto, provided that such Person would be eligible for appointment as a successor Trustee under this Section.

Any Debenture certified but not delivered by a predecessor Trustee may be certified by the successor Trustee in the name of the successor Trustee.

Nothing herein contained shall impose any obligation on the Trustee to see to or require evidence of any registration of filing (or renewal thereof) of this Indenture or supplementals thereto.

14.17 No Conflict of Interest.

The Trustee represents to the Corporation that at the date of execution and delivery by it of this Indenture there exists no material conflict of interest in the role of the Trustee as a fiduciary hereunder but if, notwithstanding the provisions of this Section 14.17, such a material conflict of interest exists, the validity and enforceability of this Indenture, and the securities issued hereunder shall not be affected in any manner whatsoever by reason only that such material conflict of interest exists.

14.18 Trustee Not Required to Give Security.

The Trustee shall not be required to give any bond or security in respect of the execution of the trust and powers of this Indenture or otherwise in respect of this Indenture or any Supplemental Indenture.

14.19 Limitation of Trustee's Review.

The Trustee represents that it does not represent the Debentureholders and has not reviewed this Indenture on their behalf and is not responsible for monitoring the Corporation's use of the funds received upon issuance of the Debentures.

14.20 Discharge of Trustee's Liability.

The forwarding of a cheque by the Trustee will satisfy and discharge the liability for any amounts due to the extent of the sum or sums represented thereby (plus the amount of any tax deducted or withheld as required by law) unless such cheque is not honoured on presentation; provided that in the event of the non-receipt of such cheque by the payee, or the loss or destruction thereof, the Trustee, upon being furnished with reasonable evidence of such non-receipt, loss or destruction and indemnity reasonably satisfactory to it, will issue to such payee a replacement cheque for the amount of such cheque.

14.21 Privacy.

The Parties acknowledge that federal and/or provincial legislation that addresses the protection of individuals' personal information (collectively "**Privacy Laws**") apply to obligations and activities under this Indenture. Despite any other provision of this Indenture, neither party shall take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Corporation shall, prior to transferring or causing to be transferred personal information to the Trustee, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or shall have determined that such consents either have previously been given upon which the parties can rely or are not required under the Privacy Laws. The Trustee shall use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws. Specifically, the Trustee agrees: (a) to have a designated chief privacy officer; (b) to maintain policies and procedures to protect personal information and to receive and respond to any privacy complaint or inquiry; (c) to use personal information solely for the purposes of providing its services under or ancillary to this Indenture and not to use it for any other purpose except with the consent of or direction from the Corporation or the individual involved; (d) not to sell or otherwise improperly disclose personal information to any third party; and (e) to employ administrative, physical and technological safeguards to reasonably secure and protect personal information against loss, theft, or unauthorized access, use or modification.

14.22 No Liability.

(a) The Trustee shall not be liable for any action taken or omitted by it, or any action suffered by it to be taken or omitted excepting only its own gross negligence or wilful misconduct.

(b) The Trustee shall not be answerable for the default or misconduct of any adviser, agent or legal counsel employed or appointed, at its discretion, by it if such adviser, agent or legal counsel shall have been selected with reasonable care.

14.23 Entire Agreement.

This Indenture sets forth exclusively the duties of the Trustee with respect to any and all matters pertinent hereto and no implied duties or obligations shall be read into the Indenture or any Supplemental Indenture against the Trustee.

ARTICLE 15 - DEFEASANCE

15.1 Defeasance.

If payment of all principal of and interest on all Outstanding Debentures in accordance with their terms, this Indenture and any Supplemental Indentures is made, and if all other sums payable by the Corporation hereunder or thereunder shall be paid or provided for, and upon proof given to the reasonable satisfaction of the Trustee, then the Corporation shall be promptly and fully discharged and released from any and all of its obligations in respect of this Indenture, the Supplemental Indentures and all Outstanding Debentures, except for those terms of the Indenture relating to the indemnification of the Trustee.

ARTICLE 16 - MISCELLANEOUS

16.1 Limited Recourse.

Anything in this Indenture notwithstanding, neither the Trustee nor any Debentureholder shall have any claim, remedy or right to proceed against any incorporator or any past, present or future officer, director, or any Counsel, auditor or financial advisor to the Corporation, for the payment of any liability resulting from the breach of any representation, warranty, agreement or covenant of the Corporation under this Indenture; provided, however, that nothing in this Section 16.1 shall constitute a release or discharge of any claim, remedy or right to proceed against any such officer or director, based upon the wilful misconduct or fraud of such officer or director. No Party to this Indenture will be deemed to be acting as agent for any other Party to this Indenture. For greater certainty, officers, directors of the Corporation shall not be excluded from liability in the event that they have wilfully and intentionally caused the Corporation to contravene the provisions of this Indenture.

16.2 Effective Date.

This Indenture shall take effect immediately upon its execution by the Corporation and the Trustee.

16.3 Counterparts.

This Indenture may be executed in one or more original or facsimile counterparts, each of which taken together shall constitute one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS OF WHICH this Indenture has been duly executed and the corporate seals of the Corporation and of the Trustee affixed hereto.

FALCON OIL & GAS LTD.

Per: *"Evan Wasoff"*
Name: Evan Wasoff
Title: Chief Financial Officer

COMPUTERSHARE TRUST COMPANY OF CANADA

Per: *"Alice Kollen"*

Per: *"Karl Burgess"*

Schedule “A”
FORM OF DEBENTURE

(See attached.)

C0000022535 | T

3891424

DEBENTURE

Number
00100002ZQ

CDN $
****1*********
*****1********
******1*******
*******1******

FALCON OIL & GAS LTD.

(incorporated under the laws of the province of British Columbia)

11% CONVERTIBLE UNSECURED DEBENTURE DUE JUNE 30, 2013

THIS CERTIFIES THAT CPU TORONTO SPECIMEN CERTS

CUSIP 306071 AA 9

ISIN CA 306071AA96

is the registered holder of **1**

Principal Amount CDN$

Falcon Oil & Gas Ltd. (herein called the **"Corporation"**) for value received hereby acknowledges itself liable and indebted and promises to pay to the registered holder in manner and amount as more fully described in a trust indenture (the **"Indenture"**) dated June 30, 2009 between the Corporation and Computershare Trust Company of Canada (the **"Trustee"**) on presentation and surrender of this Debenture to the Trustee and to pay to the registered holder interest on the said principal sum from the date hereof, at a rate of interest equal to 11% per annum, and payable in accordance with the terms of the Indenture; and should the Corporation at any time make default in the payment of any principal or interest, to pay interest on the amount overdue at the same rate in like money at the same place and on the same dates. Interest is payable in arrears in equal semi-annual instalments on January 1 and July 1 each year, commencing on January 1, 2010. All terms used in this Debenture certificate which are defined in the Indenture have the meaning attributed thereto in the Indenture.

This Debenture is due four years after the date hereof, being June 30, 2013, (the **"Maturity Date"**) and is one of the 11% convertible unsecured debentures issued under the Indenture. This Debenture and all other Debentures issued and certified under the Indenture shall rank *pari passu* pursuant to the terms of the Indenture without priority or preference.

Reference is hereby expressly made to the Indenture and all instruments supplemental thereto or in implement thereof for a statement and description of the security created thereby or pursuant thereto, the liability of the Corporation for payment of Debentures, the terms and conditions upon which the Debentures are issued, held, the rights and remedies of the holders of Debentures issued thereunder and of the Corporation and of the Trustee in respect thereof, all to the same effect as if the provisions of the Indenture and such other instruments, were herein set out, to all of which provisions the holder hereof by acceptance hereof assents.

The aggregate Principal Amount which may be issued under the Indenture is $100,000,000. Debentures to the aggregate Principal Amount of $100,000,000 in lawful money of Canada have been authorized under the Indenture for immediate issue, due on the Maturity Date, of which this is one.

This Debenture may be exchanged for Debentures of the same series in an equal aggregate Principal Amount in any other authorized denomination or denominations subject to the conditions and upon payment of the charges prescribed in the Indenture.

If this Debenture is converted prior to the Maturity Date, in accordance with the terms of the Indenture, interest shall cease to accrue hereon from the date of conversion and shall be paid in accordance with the terms of the Indenture. If this Debenture is redeemed prior to the Maturity Date, in accordance with the terms of the Indenture, interest shall cease to accrue hereon from the date of redemption.

Subject to the terms and conditions and in the manner set forth in the Indenture, this Debenture is convertible, at the option of the holder hereof, upon compliance with the conditions prescribed in the Indenture and upon surrender of this Debenture, with the Optional Conversion Notice, printed on the reverse hereof completed in a manner acceptable to the Trustee, at the offices of the Trustee in Vancouver, British Columbia or Toronto, Ontario into fully paid and non-assessable common shares in the capital of the Corporation, at a conversion price of $0.60 per Common, subject to adjustments (the "Conversion Price"). Notwithstanding the foregoing, no Debentures may be converted during the 10 business days preceding and including January 1 and July 1 in each year, commencing January 1, 2010. Fractional Common Shares will not be issued on any conversion and in lieu thereof the Corporation will make a cash payment equal in value to such fractional Common Shares, if such amount is less than or equal to $10.00.

During the two year period following the Subscription Date, the Debentures shall be automatically converted into Debenture Shares at the then current Conversion Price (with no further action on the part of the holders) five days following the date on which the volume weighted average trading price of the Common Shares on the TSX Venture Exchange for twenty consecutive trading days is not less than $0.85 per share. The Debentureholder of a Debenture surrendered for Conversion or deemed to have been surrendered for Conversion shall be entitled to receive accrued and unpaid interest in respect thereof up to but excluding the Conversion Date.

The Debentures will not be redeemable before the date that is 10 days prior to one year following the Subscription Date. The Corporation shall have the option, exercisable within five days of such date and subject to providing prior written notice to the Debentureholders, to redeem the then outstanding Debentures (in whole or in part in denominations of $1,000 or integral multiples thereof) thirty days following delivery of such notice, in cash, at a redemption price equal to 110% of the Principal Amount of the Debenture plus accrued and unpaid interest.

The Indenture contains provisions for the holding of meetings of Debentureholders, for giving notices to Debentureholders, and rendering resolutions passed at such meetings and instruments in writing signed by the holders of a specified Principal Amount of the Debenture Outstanding binding upon all holders of Debentures, subject to the provisions of the Indenture.

NO TRANSFER OF THIS DEBENTURE SHALL BE VALID UNLESS MADE IN COMPLIANCE WITH ALL APPLICABLE SECURITIES LAWS AND THE CONDITIONS PRESCRIBED IN THE INDENTURE on one of the Registers to be kept for that purpose by the Corporation, upon surrender of such Debenture together with a written instrument of transfer satisfactory to the Corporation and Trustee and duly executed by such registered holder or such legal representatives or such duly authorized attorney and upon compliance with such reasonable requirements as the Corporation and Trustee may prescribe. The person in whose name this Debenture shall be registered shall be deemed to be the owner hereof for all purposes of the Indenture and payment of or on account of the principal of and interest hereon shall be made only to or upon the order in writing of such registered holder and such payment shall be a good and sufficient discharge to the Corporation and to the Trustee for the amounts so paid.

All dollar amounts, stated herein, or provided herein to be payable, are expressed to be, or to be payable in, lawful money of Canada.

This Debenture shall be construed and enforced in accordance with the laws of the Province of British Columbia.

This Debenture shall not become valid or become obligatory for any purpose until it shall have been certified by or on behalf of the Trustee for the time being under the Indenture.

IN WITNESS WHEREOF the Corporation has caused this Debenture to be executed and delivered as of the date set forth below.

DATE: June 30, 2009

FALCON OIL & GAS LTD.

Per: ______________
President, Chief Executive Officer and Chairman

Per: ______________
Secretary

This Debenture is one of the Debentures referred to in the Indenture within mentioned.

Countersigned and registered by:
Computershare Trust Company of Canada, as Trustee

Per: ______________
AUTHORIZED OFFICER

SECURITY INSTRUCTIONS ON REVERSE VOIR LES INSTRUCTIONS DE SÉCURITÉ AU VERSO

Printed by DATA BUSINESS FORMS

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OPTIONAL CONVERSION NOTICE

TO: Falcon Oil & Gas Ltd. (the "**Corporation**")
c/o Computershare Trust Company of Canada (the "**Trustee**")

Vancouver Office:	Toronto Office:
510 Burrard Street	100 University Avenue
2nd Floor-Service Delivery Dept.	9th Floor - Service Delivery Dept.
Vancouver, British Columbia	Toronto, Ontario
V6C 3B9	M5J 2Y1

FROM:

Name (the "**Debentureholder**"): ______________________________

Address: ______________________________

RE: The trust indenture (the "**Indenture**") made June 30, 2009 between the Corporation and the Trustee regarding the Debentures issued by the Corporation to the Debentureholder as of June 30, 2009 (the "**Debenture**")

The holder bearing certificate number __________ hereby irrevocably elects to convert its complete $______________ Principal Amount of the Debentures in accordance with the terms of the Indenture as of the date hereof by converting the Debenture into Debenture Shares at the Conversion Price of $0.60 per Common Share, and tenders herewith the Debentures. The outstanding interest on the Debenture is $ _____________ and the Debentureholder wishes to receive payment for such interest in cash. Please issue, register and deliver the Debenture Shares in the name set out below (if Debenture Shares are to be issued in the name of a person other than the Debentureholder).

Name (the "**Transferee**"): ______________________________

Address: ______________________________

The Debentureholder acknowledges that all requisite transfer taxes must be tendered prior to conversion.

By the signature below, the undersigned Debentureholder represents and warrants to the Corporation that the undersigned (check one):

1. ☐ (i) is not (and is not converting the Debenture for the account or benefit of) a U.S. person or a person in the United States; (ii) did not execute or deliver this Optional Conversion Notice in the United States and (iii) has in all other respects complied with the terms of Regulation S of the United States *Securities Act of 1933*, as amended (the "**U.S. Securities Act**") or any successor rule or regulation of the United States Securities and Exchange Commission as presently in effect; OR
2. ☐ the undersigned is tendering with this Optional Conversion Notice a written opinion of counsel or other evidence satisfactory to the Corporation to the effect that the securities to be delivered upon conversion of this Debenture have been registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or are exempt from registration thereunder; OR
3. ☐ the undersigned is the original subscriber of the Debentures and (i) is a qualified institutional buyer ("**Qualified Buyer**") as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act or an investor ("**Institutional Accredited Investor**") that meets the definition of accredited investor under Rule 501(a)(l), (2), (3) or (7) ("**Rule 501**") under Regulation D under the U.S. Securities Act, converting the Debenture for its own account or the account of a Qualified Buyer or an Institutional Accredited Investor over which it exercises sole investment discretion, (ii) has had access to such current public information concerning the Corporation as it considered necessary in connection with its investment decision, (iii) understands that the Debenture Shares have not been registered under the U.S. Securities Act and (iv) agrees to the restrictions on transfer and resale more fully described in the Indenture.

"**United States**" and "**U.S. person**" are as defined in Regulation S under the U.S. Securities Act.

Note: Certificates representing securities to be received on conversion hereof will not be registered or delivered to an address in the United States unless Box 2 or Box 3 above is checked

Unless Box 1 is checked, all Common Shares issued will bear the legend per Section 7.5(b) of the Indenture

NOTE: If Debenture Shares are to be issued in the name of a person other than the holder, the signature must be guaranteed by a Schedule 1 chartered bank, a trust company or by a member of an acceptable Medallion Guarantee Program. The Guarantor must affix a stamp bearing the actual words: "SIGNATURE GUARANTEED".

DATED this _____ day of ___________, 20______.

______________________ By:______________________ ______________________
Guarantor Signature of Registered Debentureholder Name

POWER OF ATTORNEY TO TRANSFER SECURITIES

For value received the undersigned hereby sells, assigns and transfers unto

____

Insert name and address of transferee

CDN $ _____________ principal amount Debentures (in denomination of CDN $1,000 and integral multiples thereof) registered in the name of the undersigned represented by this Debenture certificate and does hereby irrevocably constitute and appoint

______________________________________ (This space should be left blank) __________ the attorney of the undersigned to transfer the said debentures on the books of the Company with full power of substitution in the premises.

DATED: ______________________ ______________________ ______________________

Signature of Debentureholder Signature of Guarantor

TRANSFEREE ACKNOWLEDGEMENT

The Transferee hereby acknowledges that the Debentures may not be transferred to US persons or in the United States except in accordance with US Securities laws and the legend contained on the face of the Debenture and in section 7.5(b) of the Indenture.

____

Signature of Transferee

Signature Guarantee:

The signature on this assignment must correspond with the name as written upon the face of the certificate(s), in every particular, without alteration or enlargement, or any change whatsoever and must be guaranteed by a major Canadian Schedule I chartered bank or a member of an acceptable Medallion Signature Guarantee Program (STAMP, SEMP, MSP). The Guarantor must affix a stamp bearing the actual words "Signature Guaranteed".

In the USA, signature guarantees must be done by members of a "Medallion Signature Guarantee Program" only.

Signature guarantees are not accepted from Treasury Branches, Credit Unions or Caisses Populaires unless they are members of the Stamp Medallion Program.

SECURITY INSTRUCTIONS - INSTRUCTIONS DE SÉCURITÉ

THIS IS WATERMARKED PAPER, DO NOT ACCEPT WITHOUT NOTING WATERMARK. HOLD TO LIGHT TO VERIFY WATERMARK.

PAPIER FILIGRANÉ, NE PAS ACCEPTER SANS VÉRIFIER LA PRÉSENCE DU FILIGRANE. POUR CE FAIRE, PLACER À LA LUMIÈRE.

Schedule "B"
OPTIONAL CONVERSION NOTICE

TO: Falcon Oil & Gas Ltd. (the **"Corporation"**)

AND TO: Computershare Trust Company of Canada (the "**Trustee**")

FROM:

Name: ______________________________
Address: ______________________________
(the "**Debentureholder**") at ______________________________
____

RE: The trust indenture (the "**Indenture**") made June 30, 2009 between the Corporation and the Trustee regarding the Debentures issued by the Corporation to the Debentureholder as of June 30, 2009 (the **"Debenture"**)

All terms used in this Optional Conversion Notice which are defined in the Indenture have the meanings attributed thereto in the Indenture.

The holder bearing certificate number __________ hereby irrevocably elects to convert its complete $________________ Principal Amount of the Debentures in accordance with the terms of the Indenture as of the date hereof by converting the Debenture into Debenture Shares at the Conversion Price of $0.60 per Common Share, and tenders herewith the Debentures. The outstanding interest on the Debenture is $_____________ and the Debentureholder wishes to receive payment for such interest in cash. Please issue, register and deliver the Debenture Shares in the name set out below (if Debenture Shares are to be issued in the name of a person other than the Debentureholder).

Name: ______________________________
Address: ______________________________
(the "**Transferee**") at ______________________________

The Debentureholder acknowledges that all requisite transfer taxes must be tendered prior to conversion.

By the signature below, the undersigned Debentureholder represents and warrants to the Corporation that the undersigned (check one):

1. ☐ (i) is not (and is not converting the Debenture for the account or benefit of) a U.S. person or a person in the United States; (ii) did not execute or deliver this Optional Conversion Notice in the United States and (iii) has in all other respects complied with the terms of Regulation S of the United States *Securities Act of 1933*, as amended (the "**U.S. Securities Act**") or any successor rule or regulation of the United States Securities and Exchange Commission as presently in effect; OR

2. ☐ the undersigned is tendering with this Optional Conversion Notice a written opinion of counsel or other evidence satisfactory to the Corporation to the effect that the securities to be delivered upon conversion of this Debenture have been registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or are exempt from registration thereunder; OR

3. ☐ the undersigned is the original subscriber of the Debentures and (i) is a qualified institutional buyer ("**Qualified Buyer**") as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act or an investor ("**Institutional Accredited Investor**") that meets the definition of accredited investor under Rule 501(a)(l), (2), (3) or (7) ("**Rule 501**") under Regulation D under the U.S. Securities Act, converting the Debenture for its own account or the account of a Qualified Buyer or an Institutional Accredited Investor over which it exercises sole investment discretion, (ii) has had access to such current public information concerning the Corporation as it considered necessary in connection with its investment decision, (iii) understands that the Debenture Shares have not been registered under the U.S. Securities Act and (iv) agrees to the restrictions on transfer and resale more fully described in the Indenture.

"**United States**" and "**U.S. person**" are as defined in Regulation S under the U.S. Securities Act.

Note: Certificates representing securities to be received on conversion hereof will not be registered or delivered to an address in the United States unless Box 2 or Box 3 above is checked.

Unless Box 1 is checked, all Common Shares issued will bear the legend per Section 7.5(b) of the Indenture.

NOTE: If Debenture Shares are to be issued in the name of a person other than the holder, the signature must be guaranteed by a Schedule 1 chartered bank, a trust company or by a member of an acceptable Medallion Guarantee Program. The Guarantor must affix a stamp bearing the actual words: "SIGNATURE GUARANTEED".

DATED this _____ day of ____________, 20___.

____
Guarantor

By: ________________________________
Signature of Registered Debentureholder

____
Name

Schedule "C"
AUTOMATIC CONVERSION NOTICE

TO: Holders of Debentures ("**Debentureholders**") issued under the Indenture (the "**Indenture**") made as of June 30, 2009 between Falcon Oil & Gas Ltd. (the "**Corporation**") and Computershare Trust Company of Canada (the "**Trustee**")

AND TO: The Trustee

FROM: The Corporation

RE: Automatic conversion of the Debentures issued by the Corporation to the Debentureholders as of June 30, 2009 (the "**Debenture**")

All terms used in this Automatic Conversion Notice which are defined in the Indenture have the meanings attributed thereto in the Indenture.

The Corporation hereby notifies the Trustee and the Debentureholders that the Automatic Conversion provisions of the Indenture have been triggered and encloses herewith evidence of same. As such, the outstanding $________________ Principal Amount of the Debenture shall be converted into Debenture Shares at the Conversion Price, being $__________ per Debenture Share. The outstanding interest payable on the Debenture is $______________.

DATED this _____ day of ___________, 20___.

FALCON OIL & GAS LTD.

Per: ____
Name:
Title:

Schedule "D"
FORM OF DECLARATION FOR REMOVAL OF LEGEND - DEBENTURES

TO: Computershare Trust Company of Canada,
as Trustee for the Debentures of
Falcon Oil & Gas Ltd.

The undersigned (a) acknowledges that the sale of the Debentures of Falcon Oil & Gas Ltd. (the "**Corporation**") to which this declaration relates is being made in reliance on Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "**1933 Act**"), and (b) certifies that (1) the seller is not an affiliate of the Corporation as defined in Rule 405 under the 1933 Act; (2) the offer of such securities was not made to a person in the United States and either (A) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believed that the buyer was outside the United States; or (B) the transaction was executed in, on or through the facilities of the TSX Venture Exchange, The Toronto Stock Exchange or any other designated offshore securities market as defined in Regulation S under the 1933 Act and neither the seller nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States; (3) neither the seller nor any affiliate of the seller nor any person acting on any of their behalf has engaged or will engage in any directed selling efforts in the United States in connection with the offer and sale of such securities; (4) the sale is bona fide and not for the purpose of "washing off" the resale restrictions imposed because the securities are "restricted securities" (as such term is defined in Rule 144(a)(3) under the 1933 Act); and (5) the contemplated sale is not a transaction, or part of a series of transactions which, although in technical compliance with Regulation S, is part of a plan or scheme to evade the registration provisions of the Securities Act. Terms used herein have the meanings given to them by Regulation S under the Securities Act.

Dated: ____________________

____
Name of Purchaser

By: ______________________________
Name:
Title:

Address:

Schedule "E"
FORM OF DECLARATION FOR REMOVAL OF LEGEND –DEBENTURE SHARES

TO: Computershare Investor Services Inc.,
as registrar and transfer agent
for the Units Shares and Debenture Shares of
Falcon Oil & Gas Ltd.

The undersigned (a) acknowledges that the sale of the Debenture Shares of Falcon Oil & Gas Ltd. (the "**Corporation**") to which this declaration relates is being made in reliance on Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "**1933 Act**"), and (b) certifies that (1) the seller is not an affiliate of the Corporation as defined in Rule 405 under the 1933 Act; (2) the offer of such securities was not made to a person in the United States and either (A) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believed that the buyer was outside the United States; or (B) the transaction was executed in, on or through the facilities of the TSX Venture Exchange, The Toronto Stock Exchange or any other designated offshore securities market as defined in Regulation S under the 1933 Act and neither the seller nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States; (3) neither the seller nor any affiliate of the seller nor any person acting on any of their behalf has engaged or will engage in any directed selling efforts in the United States in connection with the offer and sale of such securities; (4) the sale is bona fide and not for the purpose of "washing off" the resale restrictions imposed because the securities are "restricted securities" (as such term is defined in Rule 144(a)(3) under the 1933 Act); and (5) the contemplated sale is not a transaction, or part of a series of transactions which, although in technical compliance with Regulation S, is part of a plan or scheme to evade the registration provisions of the Securities Act. Terms used herein have the meanings given to them by Regulation S under the Securities Act.

Dated: ____________________

____
Name of Purchaser

By: ______________________________
Name:
Title:

Address:

Schedule "F"
POWER OF ATTORNEY TO TRANSFER SECURITIES

For value received the undersigned hereby sells, assigns and transfer unto

____
Insert name and address of transferee

CDN$___________ principal amount Debentures (in denomination of CDN $1,000 and integral multiples thereof) registered in the name of the undersigned represented by this Debenture certificate and does hereby irrevocably constitute and appoint

_________________________(This space should be left blank)________________the attorney of the undersigned to transfer the said debentures on the books of the Company with full power of substitution in the premises.

DATED: _____________ _________________________ ______________________
Signature of Debentureholder Signature of Guarantor

TRANSFEREE ACKNOWLEDGEMENT

The transferee hereby acknowledges that the Debentures may not be transferred to US persons or in the United States except in accordance with US Securities laws and the legend contained on the face of the Debenture and in section 7.5(b) of the Indenture.

____
Signature of Transferee

Signature Guarantee:

The signature on this assignment must correspond with the name as written upon the face of the certificate(s), in every particular, without alteration or enlargement, or any change whatsoever and must be guaranteed by a major Canadian Schedule I chartered bank or a member of an acceptable Medallion Guarantee Program (STAMP, SEMP, MSP). The Guarantor must affix a stamp bearing the actual words "Signature Guarantee".

In the USA, signature guarantees must be done by members of a "Medallion Guarantee Program" only.

Signature guarantees are not accepted from Treasury Branches, Credit Unions, or Caisses Populaires unless they are members of the Stamp Medallion Program.