

MATERIAL CHANGE REPORT

Under Section 85(1) of the *Securities Act* (British Columbia), Section 118(1) of the *Securities Act* (Alberta), Section 84(1) of *The Securities Act, 1988* (Saskatchewan) and Section 75(2) of the *Securities Act* (Ontario)

1. **Reporting Issuer:**

Petrobank Energy and Resources Ltd.
2200, 400 - 3rd Avenue S.W.
Calgary, Alberta T2P 4H2

2. **Date of Material Change:**

May 18, 2001

3. **Publication of Material Change:**

A news release was issued on May 18, 2001 and disseminated through the facilities of Canada Newswire.

4. **Summary of Material Change:**

Effective May 17, 2001, Petrobank Energy and Resources Ltd. ("Petrobank") entered into an arrangement agreement with Barrington Petroleum Ltd. ("Barrington") attached hereto as Appendix A.

5. **Full Description of Material Change:**

Effective May 17, 2001, Petrobank Energy and Resources Ltd. ("Petrobank") entered into an arrangement agreement with Barrington Petroleum Ltd. ("Barrington") attached hereto as Appendix A.

Barrington has applied for and received court approval to hold meetings of the holders of the Barrington common shares, common share purchase options and gas indexed subordinated notes ("Gas Notes") to be held on June 20, 2001. At this meeting the shareholders and Gas Noteholders will have the opportunity to approve the Plan of Arrangement with Petrobank.

The Plan of Arrangement provides for, among other things, each Barrington common shareholder to receive, at their election, \$0.70 in cash or 0.333 Petrobank common shares. The Arrangement Agreement also provides for each holder of \$1,000 principal amount of Gas Notes to receive \$900 principal amount of new Petrobank Notes plus accrued and unpaid interest. The Petrobank Notes will bear a fixed interest rate of 9% per annum and will mature on June 30, 2008.

The Boards of Directors of each of Petrobank and Barrington have unanimously approved the Arrangement. An Information Circular will be mailed shortly detailing the Plan of Arrangement and the terms of the new Petrobank Notes.

Completion of the Plan of Arrangement is subject to the receipt of final court, regulatory and Barrington securityholder approvals.

As required by Canadian securities laws Petrobank's statutory filings may be reviewed at www.sedar.com.

6. **Filing on Confidential Basis:**

Not applicable.

7. **Omitted Information:**

Not applicable.

8. **Senior Officers:**

For further information, contact:

Petrobank Energy and Resources Ltd.
2200, 400 - 3rd Avenue S.W.
Calgary, Alberta T2P 4H2

Mr. John D. Wright, President and Chief Executive Officer or
Mr. M. Bruce Chernoff, Executive Vice President and Chief Financial Officer
Telephone: (403) 750-4400
Facsimile: (403) 266-5794

9. **Statement of Senior Officer:**

The foregoing accurately discloses the material change referred to herein.

DATED at the City of Calgary, in the Province of Alberta, this 28th day of May, 2001.

Petrobank Energy and Resources Ltd.

(Signed) "David Rain"

David Rain
Assistant Corporate Secretary

APPENDIX A
ARRANGEMENT AGREEMENT

This Arrangement Agreement made the 17th day of May, 2001.

AMONG:

BARRINGTON PETROLEUM LTD., a corporation amalgamated under the laws of Alberta ("**Barrington**")

AND

PETROBANK ENERGY AND RESOURCES LTD., a corporation incorporated under the laws of Alberta ("**Petrobank**")

WHEREAS Barrington wishes to propose an arrangement with Petrobank and with the holders of Common Shares (as defined herein), Options (as defined herein) and Notes (as defined herein) in order to reorganize its affairs and therefore wishes to carry out certain transactions on the basis hereinafter set forth;

AND WHEREAS the parties hereto intend to carry out the transactions contemplated herein pursuant to an arrangement under the ABCA (as defined herein);

NOW THEREFORE IN CONSIDERATION of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, the following terms have the following meanings:

- a) "**ABCA**" means the *Business Corporations Act* (Alberta), S.A. 1981, c. B-15 as amended, including the regulations promulgated thereunder;
- b) "**Acquisition Proposal**" means any merger, amalgamation, arrangement, takeover bid, sale of treasury shares (other than pursuant to the exercise of currently outstanding Options), sale of material assets or similar transactions by Barrington, or any inquiry or proposal to do so, other than in connection with the transactions contemplated by this Agreement;
- c) "**Agreement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to this arrangement agreement (including the schedules hereto) as

supplemental, modified or amended, and not to any particular article, section, schedule or other portion hereof;

- d) **"Arrangement"** means the arrangement pursuant to Section 186 of the ABCA set forth in the Plan of Arrangement and includes any amendment thereto made in accordance with Section 6.1 of this Agreement;
- e) **"Arrangement Resolutions"** means the special resolution of the holders of Common Shares and Options and the extraordinary resolution of the Noteholders to approve the Arrangement to be presented to holders of Common Shares, Options and Notes at the Meetings;
- f) **"Articles of Arrangement"** means the articles of arrangement in respect of the Arrangement required by the ABCA to be sent to the Registrar after the Final Order has been made;
- g) **"business day"** means a day, which is not a Saturday, Sunday or statutory holiday, when banks in the place at which any action is required to be taken hereunder are generally open for the transaction of commercial banking business;
- h) **"Certificate"** means the certificate or proof of filing to be issued by the Registrar pursuant to subsection 186(11) or subsection 186(12) of the ABCA giving effect to the Arrangement;
- i) **"Common Shares"** means the common shares in the capital of Barrington;
- j) **"Company"** or **"Barrington"** means Barrington Petroleum Ltd., a corporation amalgamated under the ABCA;
- k) **"Court"** means the Court of Queen's Bench of Alberta;
- l) **"Effective Date"** means the date shown on the Certificate issued by the Registrar under the ABCA giving effect to the Arrangement;
- m) **"Effective Time"** means the time on the Effective Date that the Certificate is issued;
- n) **"Final Order"** means the final order of the Court approving the Arrangement pursuant to paragraph 186(9)(a) of the ABCA as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- o) **"Information Circular"** means the information circular to be prepared by Barrington and forwarded as part of the proxy solicitation materials to Securityholders in respect of the Meetings;
- p) **"Interim Order"** means an order of the Court under Section 186 of the ABCA containing declarations and directions with respect to the Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- q) **"Meetings"** means the meetings of holders of Common Shares, Options and Notes to be

held to consider, among other things, the Arrangement, and any adjournments or postponements thereof;

- r) **"Noteholders"** means holders of Barrington Notes;
- s) **"Notes"** or **"Barrington Notes"** means the outstanding Natural Gas Linked Subordinated Notes of Barrington issued pursuant to a trust indenture dated April 30, 1998;
- t) **"Options"** means the outstanding options to purchase Common Shares;
- u) **"Optionholders"** means holders of Options;
- v) **"Person"** means an individual, partnership, association, body corporate, trust, unincorporated organization, government, regulatory authority, or other entity;
- w) **"Petrobank"** means Petrobank Energy and Resources Ltd., a corporation incorporated under the ABCA;
- x) **"Petrobank Common Shares"** means the common shares in the capital of Petrobank;
- y) **"Petrobank Note Indenture"** means the form of note indenture pursuant to which the Petrobank Notes will be issued under the Arrangement being substantially in the form set forth in **Exhibit B** to the Plan of Arrangement;
- z) **"Petrobank Notes"** means the unsecured, subordinated 9% notes of Petrobank to be issued by Petrobank under the Petrobank Note Indenture and pursuant to the Arrangement, and which notes have terms substantially as set forth in **Exhibit A** to the Plan of Arrangement;
- aa) **"Plan of Arrangement"** means the plan of arrangement attached hereto as **Schedule 1** as amended or supplemented from time to time;
- bb) **"Registrar"** means the Registrar of Corporations duly appointed under the ABCA;
- cc) **"Securities"** means the Common Shares, the Options and the Notes;
- dd) **"Securityholders"** or **"Barrington Securityholders"** means the Shareholders, Optionholders and the Noteholders;
- ee) **"Shareholders"** means the holders from time to time of Common Shares; and
- ff) **"subsidiary"** has the meaning ascribed to it in the ABCA.

1.2 General

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

- b) The division of this Agreement into articles, sections and schedules and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- c) Unless reference is specifically made to some other document or instrument, all references herein to articles, sections and schedules are to articles, sections and schedules of this Agreement.
- d) **Schedule 1** hereto is incorporated into and forms an integral part of this Agreement.
- e) Unless the context otherwise requires, words importing the singular number shall include the plural and *vice versa*; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, bodies corporate, trusts, unincorporated organizations, governments, regulatory authorities, and other entities.
- f) In the event that any date on which any action required to be taken hereunder by any of the parties hereto is not a business day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a business day in such place.
- g) This Agreement, together with **Schedule 1**, constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties with respect to the subject matter hereof. This Agreement is not intended to confer upon any other Person any rights or remedies hereunder.
- h) This Agreement shall be governed by and construed in accordance with the laws of Alberta and the laws of Canada applicable in Alberta and shall be treated in all respects as an Alberta contract.

ARTICLE 2 COVENANTS

2.1 Covenants of Barrington

Barrington covenants and agrees that it will:

- a) take all reasonable action necessary to give effect to the transactions contemplated by this Agreement;
- b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfil its obligations hereunder and to carry out the transactions contemplated hereby;
- c) apply to the Court for the Interim Order;
- d) solicit proxies to be voted at the Meetings in favour of the Arrangement Resolutions and

prepare, in consultation and cooperation with Petrobank and in form and substance satisfactory to Petrobank, acting reasonably, proxy solicitation materials and any amendments or supplements thereto as required by, and in compliance with, the Interim Order, and applicable corporate and securities laws, and file and distribute the same to the Securityholders in a timely and expeditious manner in all jurisdictions where the same are required to be filed and distributed;

- e) convene the Meetings as ordered by the Interim Order and conduct the Meetings in accordance with the Interim Order and as otherwise required by law;
- f) until the Effective Date, allow Petrobank and its representatives and agents full access during normal business hours, and upon reasonable notice after normal business hours, to all of the assets, properties, book, records, agreements and commitments of Barrington and its subsidiaries and provide all such information concerning Barrington and its subsidiaries as Petrobank may reasonably request;
- g) until the Effective Date, conduct its operations and those of its subsidiaries in the ordinary and normal course of business and in accordance with applicable laws;
- h) use all reasonable efforts to cause each of the conditions precedent set forth in Article 4 which are within its control to be satisfied on or before the Effective Date;
- i) subject to the approval of the Arrangement Resolutions by the Securityholders, submit the Arrangement to the Court and apply for the Final Order and diligently prosecute such application and any appeal of the Final Order;
- j) upon issuance of the Final Order and subject to the conditions precedent in Article 4, forthwith proceed to file the Articles of Arrangement, the Final Order and all related documents with the Registrar;
- k) until the Effective Date, except pursuant to the exercise of outstanding stock options in accordance with their respective terms as disclosed in the Information Circular, not issue any additional Common Shares or other securities or allow any of its subsidiaries to issue any shares or securities;
- l) until the Effective Date, not issue or enter into, or allow any of its subsidiaries to issue or enter into, any agreement or agreements to issue or grant options, warrants or rights to purchase any of its shares or other securities or those of such subsidiaries except as disclosed in or contemplated by the Information Circular;
- m) until the Effective Date, in all material respects, conduct itself so as to keep Petrobank fully informed as to the material business and affairs of Barrington and its subsidiaries;
- n) until the Effective Date, not incur, or allow any of its subsidiaries to incur, any additional material indebtedness or create any encumbrance on any of its properties or assets, or those of any of its subsidiaries, except in the ordinary course of business subject to the consent of Petrobank not to be unreasonably withheld, and not merge into or with, or consolidate with, any other Person except a subsidiary or, except in the ordinary course of business, perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by

this Agreement;

- o) until the Effective Date, not declare or pay any dividends or make any distribution of its assets to any of its subsidiaries or to others or retire or redeem any Common Shares without the prior written consent of Petrobank, not to be unreasonably withheld;
- p) until the Effective Date, except as specifically provided for hereunder, not alter or amend its articles of amalgamation or by-laws or those of its subsidiaries as the same exist at the date of this Agreement;
- q) advise Petrobank immediately after the Meeting of the number of Securities for which Barrington has received, pursuant to Section 184 of the ABCA, written objection to the Arrangement Resolutions and provide Petrobank with copies of such written objections; and
- r) prior to the Effective Date, cooperate with Petrobank in making the application to list the Petrobank Shares and Petrobank Notes on The Toronto Stock Exchange.

2.2 Covenants of Petrobank

Petrobank covenants and agrees that it will:

- a) take all reasonable action necessary to give effect to the transactions contemplated by this Agreement;
- b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfil its obligations hereunder and to carry out the transactions contemplated hereby;
- c) until the Effective Date, allow Barrington and its representatives and agents full access during normal business hours, and upon reasonable notice after normal business hours, to all of the assets, properties, books, records, agreements and commitments of Petrobank and provide all such information concerning Petrobank as Barrington may reasonably request;
- d) use all reasonable efforts to cause each of the conditions precedent set forth in Article 4 which are within its control to be satisfied on or before the Effective Date; and
- e) upon issuance of the Final Order and subject to the conditions precedent in Article 4, forthwith proceed to file the Articles of Arrangement, the Final Order and all related documents with the Registrar;
- f) prior to the Effective Date, make application to list the Petrobank Shares and Petrobank Notes on The Toronto Stock Exchange; and
- g) on the Effective Date, issue the Petrobank Securities in exchange for the Barrington Securities in accordance with the Arrangement.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of Barrington

Barrington represents and warrants to and in favour of Petrobank as follows, and acknowledges that Petrobank is relying upon such representations and warranties:

- a) Barrington is a corporation duly amalgamated and validly existing under the laws of Canada and has the corporate power and capacity to own or lease its property and assets, to carry on its business as now conducted by it, to enter into this Agreement, and to perform its obligations hereunder and is registered as an extra-provincial corporation to carry on business in the jurisdictions in which it carries on a material portion of its business;
- b) the authorized capital of Barrington consists of an unlimited number of Common Shares, of which only 59,117,825 Common Shares were issued and outstanding as at May 11, 2001; and all of such issued and outstanding Common Shares are fully paid and non-assessable;
- c) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto and the completion of the transactions contemplated hereby:
 - (i) do not and will not result in the breach of, or violate any term or provision of, the articles or by-laws of Barrington;
 - (ii) except as previously disclosed to Petrobank, do not, and will not as of the Effective Date, conflict with, result in the breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any agreement, instrument, license, permit or authority to which Barrington is a party or by which it is bound and which is material to Barrington or to which any material property of Barrington is subject, or result in the creation of any encumbrance upon any of the assets of Barrington under any such agreement, instrument, license, permit or authority, or give to any Person any interest or right, including rights of purchase, termination, cancellation or acceleration, under any such agreement, instrument, license, permit or authority; and
 - (iii) do not, and will not as of the Effective Date, violate any provision of law or administrative regulation or any judicial or administrative order, award, judgment or decree applicable and known to Barrington, the breach of which would have a material adverse effect on Barrington;
- d) except as disclosed to Petrobank or as set out in the Information Circular, there are no actions, suits, proceedings, claims or investigations commenced or, to the knowledge of Barrington, contemplated or threatened against or affecting Barrington in law or in equity before or by any domestic or foreign government department, commission, board, bureau, court, agency, arbitrator, or instrumentality of any kind, nor, to the knowledge of Barrington, are there any facts which may reasonably be expected to be a proper basis for any actions, suits, proceedings or investigations (other than in connection with the exercise of rights of dissent referred to in the Arrangement) which in any case would

prevent or hinder the completion of the transactions contemplated by this Agreement or which can reasonably be expected to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of Barrington and its subsidiaries taken as a whole;

- e) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the board of directors of Barrington and this Agreement constitutes a valid and binding obligation of Barrington enforceable against it in accordance with its terms;
- f) the minute books of Barrington are true and correct and contain the minutes of all meetings and all resolutions of the directors and shareholders thereof;
- g) the books of account and other records of Barrington whether of a financial or accounting nature or otherwise, have been maintained in accordance with prudent business practices;
- h) to the best of its knowledge, is not in default of any requirement of securities and corporate laws, regulations, rules, orders, notices and policies;
- i) except for fees payable to FirstEnergy Capital Corp. and members of the Soliciting Dealer Group (as defined in the Information Circular) for financial advisory services, Barrington is not liable for any brokerage or agency fees in connection with the transactions contemplated by this Agreement; and
- j) as of the dates as of which the information is given, such information set forth in the Information Circular regarding Barrington and its subsidiaries shall be true and complete in all material respects and shall not contain any misrepresentation as defined in applicable securities legislation and there shall have been no material adverse changes to such information to the date hereto.

3.2 Representations and Warranties of Petrobank

Petrobank represents and warrants to and in favour of Barrington as follows, and acknowledges that Barrington is relying upon such representations and warranties:

- a) Petrobank is duly incorporated and validly existing under the laws of Alberta and has the corporate power and capacity to own or lease its property and assets, to carry on its business as now conducted by it, to enter into this Agreement, and to perform its obligations hereunder;
- b) the authorized capital of Petrobank consists of an unlimited number of Petrobank Shares and an unlimited number of Preferred Shares, of which only 33,474,832 Petrobank Shares and 8,609,000 Preferred Shares were issued and outstanding as at May 11, 2001; and all of such issued and outstanding Petrobank Shares and Preferred Shares are fully paid and non-assessable;
- c) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto and the completion of the transactions contemplated hereby:

- (i) do not and will not result in the breach of, or violate any term or provision of, the articles or by-laws of Petrobank;
 - (ii) except as previously disclosed to Barrington, do not, and will not as of the Effective Date, conflict with, result in the breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any agreement, instrument, license, permit or authority to which Petrobank is a party or by which it is bound and which is material to Petrobank or to which any material property of Petrobank is subject, or result in the creation of any encumbrance upon any of the assets of Petrobank under any such agreement, instrument, license, permit or authority, or give to any Person any interest or right, including rights of purchase, termination, cancellation or acceleration, under any such agreement, instrument, license, permit or authority; and
 - (iii) do not, and will not as of the Effective Date, violate any provision of law or administrative regulation or any judicial or administrative order, award, judgment or decree applicable and known to Petrobank, the breach of which would have a material adverse effect on Petrobank;
- d) except as disclosed to Barrington or as set out in the Information Circular, there are no actions, suits, proceedings, claims or investigations commenced or, to the knowledge of Petrobank, contemplated or threatened against or affecting Petrobank in law or in equity before or by any domestic or foreign government department, commission, board, bureau, court, agency, arbitrator, or instrumentality of any kind, nor, to the knowledge of Petrobank, are there any facts which may reasonably be expected to be a proper basis for any actions, suits, proceedings or investigations;
- e) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the board of directors of Petrobank and this Agreement constitutes a valid and binding obligation of Petrobank enforceable in accordance with its terms;
- f) the minute books of Petrobank are true and correct and contain the minutes of all meetings and all resolutions of the directors and shareholders thereof;
- g) the books of account and other records of Petrobank whether of a financial or accounting nature or otherwise, have been maintained in accordance with prudent business practices;
- h) to the best of its knowledge, is not in default of any requirement of securities and corporate laws, regulations, rules, orders, notices and policies; and
- i) as of the dates as of which the information is given, such information set forth in the Information Circular regarding Petrobank shall be true and complete in all material respects and shall not contain any misrepresentation as defined in applicable securities legislation and there shall have been no material adverse changes to such information to the date hereto.

ARTICLE 4

CONDITIONS PRECEDENT

4.1 Mutual Conditions Precedent

The respective obligations of Petrobank and Barrington to complete the transactions contemplated by this Agreement shall be subject to the fulfilment or satisfaction, on or before the Effective Date, of each of the following conditions, any of which may be waived collectively by them without prejudice to their right to rely on any other condition:

- a) the applicable Arrangement Resolution shall have been approved at the respective Meetings by not less than 66 2/3% of the votes by the Shareholders and Optionholders, voting together as a class, and not less than 66 2/3% of the votes by the Noteholders and in accordance with the provisions of the Interim Order and any applicable regulatory requirements;
- b) the Final Order shall have been granted in form and substance satisfactory to Petrobank and Barrington acting reasonably not later than December 31, 2001 or such later date as the parties may agree;
- c) the Arrangement shall have become effective on or before December 31, 2001;
- d) the Articles of Arrangement and all necessary related documents filed with the Registrar in accordance with the Arrangement shall be in form and substance satisfactory to each of Petrobank and Barrington, acting reasonably and shall have been accepted for filing by the Registrar together with the Final Order in accordance with subsection 186(9) of the ABCA;
- e) there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order, which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, or there shall not be in force any order or decree of any such entity that:
 - (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated herein;
 - (ii) results in any judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein; or
 - (iii) imposes or confirms material limitations on the ability of Petrobank to effectively exercise full rights of ownership of the securities of Barrington, including, without limitation, the right to vote any such securities;
- f) there will have been no material change with respect to the income tax laws or policies of Canada which would have a material adverse effect on the proposed reorganization of Barrington as contemplated by the Arrangement;
- g) all necessary third party and regulatory consents, approvals and authorizations with

respect to the transactions contemplated hereby shall have been completed or obtained including, without limitation, consents and approvals from Barrington's principal lenders;

- h) as of the Effective Date, there shall not be Securityholders that hold in excess of 5% of the number of votes entitled to be cast at the Meetings that have validly exercised their rights of dissent under the Interim Order
- i) the approval of the TSE to the conditional listing of the Petrobank Shares and Petrobank Notes to be issued pursuant to the Arrangement shall have been obtained, subject only to the filing of required documents.

4.2 Additional Conditions to Obligations of Barrington

In addition to the conditions contained in Section 4.1, the obligation of Barrington to complete the transactions contemplated by this Agreement is subject to the fulfilment or satisfaction, on or before the Effective Date, of each of the following conditions, any of which may be waived by Barrington without prejudice to its right to rely on any other condition:

- a) each of the covenants, acts and undertakings of Petrobank to be performed or complied with on or before the Effective Date pursuant to the terms of this Agreement shall have been duly performed or complied with;
- b) Petrobank shall have furnished Barrington with a certified copy of a resolution duly passed by the board of directors of Petrobank approving this Agreement and the completion of the transactions, contemplated hereby including the issuance of the Petrobank Shares and the Petrobank Notes;
- c) except as affected by the transactions contemplated by this Agreement, the representations and warranties of Petrobank contained in Article 3 shall be true in all material respects with the same effect as if made at and as of the Effective Date, and Barrington shall have received a certificate of a senior officer of Petrobank to that effect dated the Effective Date, and Barrington shall have no knowledge to the contrary;
- d) Barrington shall have received an opinion of legal counsel, dated the Effective Date, satisfactory in form and substance in all material respects to Barrington acting reasonably and addressed to Barrington to the effect that:
 - (i) Petrobank is a corporation duly incorporated and validly existing under the laws of Alberta and has the corporate power and capacity to own or lease its property and assets, to carry on its business, to execute and deliver this Agreement, and to perform its obligations under this Agreement;
 - (ii) Petrobank has taken all necessary corporate action to authorize the execution and delivery of this Agreement and the performance of all of its obligations under this Agreement;
 - (iii) this Agreement and all documents delivered pursuant to the terms hereof are valid and binding on Petrobank and are enforceable in accordance with their respective terms;

- (iv) the execution, delivery and performance of this Agreement do not and will not conflict with, result in a breach of or violate any terms or provisions of the articles or by-laws of Petrobank;
- (v) the first trade by any person, other than a control person, of Petrobank Shares and Petrobank Notes issued pursuant to the Arrangement will not be subject to the prospectus requirements of, or any "hold period" under, applicable Canadian securities laws;
- (vi) the form and terms of the definitive certificates representing the Petrobank Notes have been approved and adopted by the Board of Directors of Petrobank and comply with all legal requirements relating thereto;
- (vii) the Petrobank Shares and Petrobank Notes have been conditionally approved for listing on The Toronto Stock Exchange subject to the fulfilment by Petrobank of any applicable filing requirements; and
- (viii) such other matters as Barrington may reasonably request;

In giving such opinion, legal counsel to Petrobank may rely, in respect of matters governed by laws of any jurisdiction other than Alberta or the laws of Canada applicable therein, upon the opinion of local counsel in such jurisdiction and, in respect of matters of fact, upon certificates of senior officers of Petrobank or any other appropriate persons;

- e) the Board of Directors of Barrington shall not have determined in its sole and absolute discretion that to proceed with the Arrangement would not be in the best interests of the Securityholders.

4.3 Additional Conditions to Obligations of Petrobank

In addition to the conditions contained in Section 4.1, the obligation of Petrobank to complete the transactions contemplated by this Agreement is subject to the fulfilment or satisfaction, on or before the Effective Date, of the following conditions, any of which may be waived by Petrobank without prejudice to their right to rely on any other condition:

- a) each of the covenants, acts and undertakings of Barrington to be performed or complied with on or before the Effective Date pursuant to the terms of this Agreement shall have been duly performed or complied with;
- b) Barrington shall have furnished Petrobank with:
 - (i) a certified copy of a resolution duly passed by the board directors of Barrington approving the Information Circular and related proxy solicitation materials, and approving this Agreement and, the completion of the transactions contemplated hereby;
 - (ii) a certified copy of the Arrangement Resolutions duly passed at the Meetings;
- c) except as affected by the transactions contemplated by this Agreement, the

representations and warranties of Barrington contained in Article 3 shall be true in all material respects on the Effective Date, with the same effect as if made at and as of such date, and Petrobank shall have received a certificate of a senior officer of Barrington to that effect dated the Effective Date, and Petrobank shall have no knowledge to the contrary;

- d) the board of directors of Barrington shall have made, and shall not have modified or amended, in any respect, an affirmative recommendation that the Securityholders approve the Arrangement;
- e) prior to the Effective Date, there shall have been no material adverse change in the affairs, operations, financial condition or business of Barrington and its subsidiaries (on a consolidated basis) from that reflected in the Information Circular;
- f) Petrobank shall have received an opinion of legal counsel, dated the Effective Date, satisfactory in form and substance in all material respects to Petrobank acting reasonably and addressed to Petrobank to the effect that:
 - (i) Barrington is a corporation duly amalgamated and validly existing under the laws of Alberta and has the corporate power and capacity to own or lease its property and assets, to carry on its business, to execute and deliver this Agreement, and to perform its obligations under this Agreement;
 - (ii) Barrington has taken all necessary corporate action to authorize the execution and delivery of this Agreement and the performance of all its obligations under this Agreement;
 - (iii) this Agreement and all documents delivered pursuant to the terms hereof are valid and binding on Barrington and are enforceable in accordance with their respective terms;
 - (iv) the execution, delivery and performance of this Agreement do not and will not conflict with, result in a breach of or violate any terms or provisions of the articles or by-laws of Barrington;
 - (v) upon the filing of the Articles of Arrangement and the issuance of the Certificate in respect thereof, the Arrangement will be binding upon Barrington and the Securityholders; and
 - (vi) such other matters as Petrobank may reasonably request.

In giving such opinion, legal counsel for Barrington may rely, in respect of matters governed by the laws of any jurisdiction other than the Province of Alberta, or the laws of Canada applicable therein, upon the opinion of local counsel in such jurisdiction and, in respect of matters of fact, upon certificates of senior officers of Barrington or any other appropriate persons.

ARTICLE 5 NOTICES

5.1 Notices

All notices which may or are required to be given pursuant to any provision of this Agreement shall be given or made in writing and shall be served personally, and in the case of:

- a) Barrington, addressed to:

Barrington Petroleum Ltd.
Suite 2200, 400 - 3rd Avenue S.W.
Calgary, Alberta, T2P 4H2

Attention: Chairman
- b) Petrobank, addressed to:

Petrobank Energy and Resources Ltd.
Suite 2200, 400 - 3rd Avenue S.W.
Calgary, Alberta, T2P 4H2

Attention: Chief Financial Officer

ARTICLE 6 AMENDMENT

6.1 Amendments

This Agreement may, at any time and from time to time before or after the Meetings, be amended in any respect whatsoever by written agreement of the parties hereto without further notice to or authorization on the part of their respective securityholders, and any such amendment may, without limitation:

- a) change the time for performance of any of the obligations or acts of the parties hereto;
- b) waive any inaccuracies or modify any representation contained herein or in any document delivered pursuant hereto; and
- c) waive compliance with or modify any of the covenants or conditions herein contained and waive or modify performance of any of the obligations of the parties hereto.

6.2 Termination

This Agreement shall be terminated in each of the following circumstances:

- a) if the Interim Order has been refused or has been granted in a form or substance not satisfactory to Barrington or Petrobank, acting reasonably, or has not been granted by June 30, 2001 or if issued, has been set aside or modified in a manner unacceptable to Barrington or Petrobank, acting reasonably, on appeal or otherwise;

- b) if the Arrangement is not approved by the Securityholders in accordance with the Interim Order and all applicable corporate and securities law requirements on or before December 31, 2001;
- c) if the Final Order has not been granted in a form and substance satisfactory to Barrington and Petrobank, acting reasonably, on or before December 31, 2001 or if issued, has been set aside or modified in a manner unacceptable to Barrington or Petrobank, acting reasonably, on appeal or otherwise;
- d) on December 31, 2001, if the Certificate is not issued on or before December 31, 2001, unless such dates are otherwise extended by agreement among all of the parties hereto;
- e) if Barrington has determined to accept or proceed with a Superior Proposal, as defined in Section 6.3 hereof;
- f) agreement to terminate if executed and delivered by all parties; or
- g) upon any other circumstances hereunder that give rise to a termination of this Agreement by Barrington or Petrobank, including as set forth in sections 4.1, 4.2 and 4.3.

6.3 Exclusivity

Nothing contained herein shall prevent the board of directors of Barrington from considering, negotiating, approving, recommending to its Securityholders or entering into an agreement in respect of an unsolicited, *bona fide* written Acquisition Proposal (a) in respect of which any required financing has been demonstrated to the satisfaction of the board of directors of Barrington, acting in good faith, to be reasonably likely to be obtained, and (b) in respect of which the board of directors of Barrington determines in good faith (after consultation with its financial advisors and receiving advice of outside counsel, that is reflected in the minutes of the board of directors of Barrington to the effect that the board of directors is required to do so in order to properly discharge its fiduciary duties) that the Acquisition Proposal would, if consummated in accordance with its terms, result in a transaction more favourable to the Securityholders than the Arrangement contemplated by this Agreement (and such Acquisition Proposal being referred to as a "Superior Proposal").

ARTICLE 7 GENERAL

7.1 Binding Effect

This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns.

7.2 Expenses

Each of the parties hereto shall pay its expenses in connection with the preparation and execution of this Agreement and the completion of the transactions contemplated hereby or incidental hereto.

7.3 No Assignment

Neither party may assign its rights or obligations under this Agreement.

7.4 Equitable Remedies

All covenants herein and opinions to be given hereunder as to enforceability in accordance with the terms of any covenant, agreement or document shall be qualified as to applicable bankruptcy and other laws affecting the enforcement of creditors' rights generally and to the effect that specific performance, being an equitable remedy, may not be ordered.

7.5 Survival of Representations and Warranties

The representations and warranties contained herein shall survive until the Effective Date and shall expire and be terminated and extinguished at and from the Effective Time and no party shall have any liability or further obligations to any party hereunder in respect of such representations or warranties thereafter.

7.6 Severability

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

- a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and
- b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

7.7 Time of Essence

Time shall be of the essence.

7.8 Further Assurances

Each party hereto shall, from time to time, and at all times hereafter, at the Barrington of any other party hereto, but without further consideration, do all such further acts and execute and deliver all such further documents and instruments as shall be reasonably required in order to fully perform and carry out the terms and intent hereof.

7.9 Execution in Counterparts

This Agreement may be executed in identical counterparts, each of which is and is hereby conclusively deemed to be an original and counterparts collectively are to be conclusively deemed one instrument. Delivery of counterparts may be effected by facsimile transmission.

7.10 Waiver

No waiver by any party hereto shall be effective unless in writing and any waiver shall affect only the matter, and the occurrence thereof, specifically identified and shall not extend to any other matter or occurrence.

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

BARRINGTON PETROLEUM LTD.

(signed) John D. Wright

**PETROBANK ENERGY AND
RESOURCES LTD.**

(signed) M. Bruce Chemoff

Schedule 1
To that Arrangement Agreement made
the 17th day of May, 2001 between
Barrington Petroleum Ltd. and Petrobank Energy and Resources Ltd.

PLAN OF ARRANGEMENT MADE PURSUANT TO SECTION 186
OF THE
BUSINESS CORPORATIONS ACT (ALBERTA)

ARTICLE 1
INTERPRETATION

1.1 In this Arrangement, the following meanings:

- a) **"ABCA"** means the *Business Corporations Act* (Alberta), S.A. 1981, c.B-15, as amended, including the regulations promulgated hereunder;
- b) **"Arrangement", "herein", "hereof", "hereto", "hereunder"** and similar expressions mean and refer to the arrangement pursuant to Section 186 of the ABCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;
- c) **"Arrangement Agreement"** means the agreement made as of May 17, 2001 between Barrington and Petrobank with respect to the Arrangement and all amendments thereto;
- d) **"Articles of Arrangement"** means the articles of arrangement in respect of the Arrangement required by the ABCA to be filed with the Registrar after the Final Order has been made;
- e) **"business day"** means a day, which is not a Saturday, Sunday or statutory holiday, when banks in the place at which any action is required to be taken hereunder are generally open for the transaction of commercial banking business;
- f) **"Certificate"** means the certificate or proof of filing to be issued by the Registrar pursuant to subsection 186(11) or subsection 186(12) of the ABCA giving effect to the Arrangement;
- g) **"Common Shares" or "Barrington Common Shares"** means the common shares in the capital of Barrington;
- h) **"Company" or "Barrington"** means Barrington Petroleum Ltd., a corporation amalgamated under the ABCA;
- i) **"Court"** means the Court of Queen's Bench of Alberta;
- j) **"Depository"** means Computershare Trust Company of Canada as the registrar and transfer agent of the Petrobank Shares or Montreal Trust Company of Canada as the trustee and registrar under the Barrington Note Indenture, as applicable;

Schedule 1-2

- k) **"Dissenting Notes"** means all Barrington Notes which are deemed to have been transferred for cancellation on the Effective Date in accordance with the provisions of paragraph 4.1(a) of the Plan of Arrangement;
- l) **"Dissenting Options"** means all Options which are deemed to have been cancelled on the Effective Date in accordance with the provisions of paragraph 4.1(a) of the Plan of Arrangement;
- m) **"Dissenting Securityholders"** means registered holders of Securities who validly exercise the rights of dissent provided to them under the Interim Order;
- n) **"Dissenting Shares"** means all Common Shares which are deemed to have been cancelled on the Effective Date in accordance with the provisions of paragraph 4.1(a) of the Plan of Arrangement;
- o) **"Effective Date"** means the date shown on the Certificate;
- p) **"Effective Time"** means the time on the Effective Date that the Certificate is issued;
- q) **"Final Order"** means the final order of the Court approving the Arrangement as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- r) **"Interim Order"** means the interim order of the Court made on May 17, 2001 under the ABCA containing declarations and directions with respect to this Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- s) **"Noteholders"** means the holders from time to time of the Barrington Notes;
- t) **"Note Indenture"** or **"Barrington Note Indenture"** means the trust indenture made as of April 30, 1998 between Barrington and Montreal Trust Company of Canada providing for the issue of \$50,000,000 principal amount of natural gas linked subordinated notes;
- u) **"Notes" or "Barrington Notes"** means the \$50,000,000 principal amount of natural gas linked subordinated notes of Barrington issued pursuant to the Barrington Note Indenture and maturing on July 30, 2003;
- v) **"Meetings"** means the annual and special meeting of the holders of Common Shares and Options and the extraordinary meeting of the holders of the Barrington Notes held to approve, among other things, the Arrangement;
- w) **"Options" or "Barrington Options"** means the outstanding options to purchase Common Shares pursuant to Barrington's existing option plan;
- x) **"Optionholders"** means holders from time to time of Options;
- y) **"Petrobank"** means Petrobank Energy and Resources Ltd., a corporation incorporated under the ABCA;
- z) **"Petrobank Notes"** means the 9% unsecured subordinated notes of Petrobank to be issued by Petrobank pursuant to the Arrangement having substantially the terms summarized in **Exhibit A**

hereto;

- aa) **"Petrobank Note Indenture"** means the note indenture to be made between Petrobank and Montreal Trust Company of Canada governing the issuance of the Petrobank Notes substantially in the form set forth in **Exhibit B** hereto;
- bb) **"Petrobank Shares"** means the common shares in the capital of Petrobank;
- cc) **"Plan of Arrangement"** means this Plan of Arrangement as amended or supplemented from time to time;
- dd) **"Registrar"** means the Registrar of Corporations duly appointed under the ABCA;
- ee) **"Royalty"** means the net profits royalty interest in certain of Barrington's oil and natural gas properties to be granted to Petrobank pursuant to a purchase and sale agreement for up to \$90 million.
- ff) **"Securities"** means the Common Shares, Options and Notes;
- gg) **"Securityholders"** means the Optionholders, Shareholders and Noteholders; and
- hh) **"Shareholders"** means the holders from time to time of Common Shares.

- 1.2 The division of this Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Arrangement.
- 1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Arrangement.
- 1.4 Unless the context otherwise requires, words importing the singular number shall include the plural and *vice versa*; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, trusts, unincorporated organizations, governments, regulatory authorities, and other entities.
- 1.5 In the event that the date on which any action is required to be taken hereunder by any of the parties is not a business day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a business day in such place.
- 1.6 References in this Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations or rules promulgated thereunder from time to time in effect.
- 1.7 Unless otherwise stated all references in this Arrangement to sums of money are expressed in lawful money of Canada.
- 1.8 The following exhibits to this Arrangement are incorporated by reference herein and form part of this Arrangement:

Exhibit A	-	Terms of Petrobank Notes
Exhibit B	-	Form of Petrobank Note Indenture

ARTICLE 2
PURPOSE AND EFFECT OF THE ARRANGEMENT

- 2.1** The following is only intended to be a general statement of the purpose of the Arrangement and is qualified in its entirety by the specific provisions of the Arrangement:

The purpose of the Arrangement is to effect a reorganization and restructuring of Barrington's outstanding capital in a manner that provides consistent and equitable treatment among Securityholders and results in Barrington becoming a wholly owned subsidiary of Petrobank.

- 2.2** At the Effective Time, the Arrangement shall be binding upon Barrington, the Securityholders and Petrobank.
- 2.3** Articles of Arrangement shall be filed with the Registrar with the purpose and intent that none of the provisions of the Arrangement shall become effective unless all of the provisions of the Arrangement shall have become effective. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence set out therein.

ARTICLE 3
ARRANGEMENT

- 3.1** At the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order without any further act or formality:
- a) Barrington shall sell a net profits royalty interest in certain of its oil and natural gas properties to Petrobank pursuant to a purchase and sale agreement for up to \$90 million;
 - b) subject to Sections 4.1 and 5.3, each issued and outstanding Common Share (other than Common Shares held by Petrobank and Dissenting Securityholders) shall be and be deemed to be transferred to Petrobank free of any claims and the holder thereof shall be entitled to receive from Petrobank, at the election of the holder (the "Exchange Election"), either \$0.70 in cash or 0.333 Petrobank Shares in exchange for each such Common Share held;
 - c) with respect to each Common Share to which paragraph 3.1(b) applies:
 - (i) the holder thereof shall cease to be a holder of such Common Share and such holder's name shall be removed from the register of Common Shares with respect to such Common Share as of the Effective Date; and
 - (ii) Petrobank shall be, and be deemed to be, the transferee of such Common Share free of any claims and shall be entered in the register of Common Shares as the holder thereof as of the Effective Date;
 - d) subject to Sections 4.1 and 5.3, each issued and outstanding Common Share (other than Common Shares held by Petrobank and Dissenting Securityholders) held by a Shareholder who fails to make the Exchange Election, shall be and be deemed to be transferred to Petrobank free of any claims and the holder thereof shall be entitled to receive from Petrobank 0.333 Petrobank Shares in exchange for each such Common Share held;
 - e) with respect to each Common Share to which paragraph 3.1(d) applies:

- (i) the holder thereof shall cease to be a holder of such Common Share and such holder's name shall be removed from the register of Common Shares with respect to such Common Share as of the Effective Date; and
 - (ii) Petrobank shall be, and be deemed to be, the transferee of such Common Share free of any claims and shall be entered in the register of Common Shares as the holder thereof as of the Effective Date;
- f) each Barrington Option (other than Barrington Options which have been exercised or otherwise terminated and Barrington Options held by Barrington Optionholders who have properly exercised their right of dissent and who are ultimately entitled to be paid the fair value for their Barrington Options) will be cancelled and the Optionholders will be entitled to receive from Petrobank, \$0.01 in cash for each Barrington Option;
- g) subject to Section 4.1 and Section 5.3, each \$1,000 principal amount of each issued and outstanding Note (other than Notes held by Dissenting Securityholders) shall be and be deemed to be transferred to Petrobank free of any claims and the holder thereof shall be entitled to receive from Petrobank in exchange for each \$1,000 principal amount of such Note held, \$900 principal amount of a Petrobank Note;
- h) with respect to each Note to which paragraph 3.1(g) applies:
 - (i) the holder thereof shall cease to be a holder of such Note and such holder's name shall be removed from the register of Notes as of the Effective Date;
 - (ii) Petrobank shall be, and be deemed to be, the transferee of such Notes (free of any claims) and shall be entered in the register of Notes as the holder thereof as of the Effective Date; and
 - (iii) the holder thereof shall be paid accrued and unpaid interest (including interest on overdue interest) owing under the Note from February 1, 2000 to the Effective Date, inclusive.

ARTICLE 4

DISSENTING SECURITYHOLDERS

4.1 Dissenting Securityholders who:

- a) are ultimately entitled to be paid fair value for the Securities in respect of which they dissent in accordance with the provisions of such Interim Order, whether by order of a Court (as defined in the ABCA) or by acceptance of an offer made pursuant to such Interim Order, shall be deemed to have transferred such Securities to Barrington for cancellation on the Effective Date and such Securities shall be deemed to have no longer been issued and outstanding as of the Effective Date; or
- b) are ultimately not so entitled to be paid fair value for the Securities in respect of which they dissent, shall not be, or be reinstated as, Securityholders but for purposes of receipt of consideration shall be treated as if they had participated in this Arrangement on the same basis as a non-dissenting holder of Securities, and accordingly shall be entitled to receive such Securities as non-dissenting holders of Securities are entitled to receive on the basis set forth in Article 3 of this Arrangement and shall be deemed to have transferred such Securities to Petrobank in exchange for Petrobank Securities as of

the Effective Date on the same basis as a non-dissenting holder of Securities;

but in no case shall Barrington or Petrobank be required to recognize such Dissenting Securityholders as securityholders of Barrington or Petrobank after the Effective Date.

ARTICLE 5 OUTSTANDING CERTIFICATES

- 5.1** Subject to Section 4.1, after the Effective Time, certificates formerly representing Common Shares and Notes shall represent only the right to receive the cash or certificates representing Petrobank Shares or Petrobank Notes which the former holders of such Common Shares or Notes is, subject to Section 5.3, entitled to receive pursuant to Article 3 of this Arrangement, subject to compliance with the requirements set forth in this Article 5.
- 5.2** As soon as practicable after the Effective Date, Petrobank shall forward to each holder of Securities referred to in Section 3.1 or to each Dissenting Securityholder deemed to have participated in the Arrangement pursuant to Section 4.1 at the address of such holder as it appears on the register of Securities immediately prior to the Effective Date, a letter of transmittal and instructions for obtaining delivery of the cash, Petrobank Shares or Petrobank Notes issued and payable to such holder pursuant to this Arrangement. A holder of Common Shares or Notes may take delivery of such cash, Petrobank Shares or Petrobank Notes by delivering the certificates representing such holder's Common Shares or Notes, as applicable, to the Depository at any of the offices indicated in the letter of transmittal, accompanied by a duly completed letter of transmittal and such other documents as the Depository may reasonably require. The certificates representing the Petrobank Shares or Petrobank Notes or the cheque or cheques issued to such holder shall be in such names and, delivered to such addresses as such holder may direct in such letter of transmittal, or if requested by the former holder of Common Shares or Notes in the letter of transmittal, made available at the Depository for pick-up by the former holder of Common Shares or Notes, as soon as practicable after receipt by the Depository of the required documents.
- 5.3** No fractional Petrobank Shares or Petrobank Notes shall be issued pursuant to the Arrangement. In the event that the exchange ratio referred to herein would in any case result in a holder of Common Shares or Notes being entitled to a fractional Petrobank Share or Petrobank Note, such Petrobank Share or Petrobank Note will be rounded up to the next highest whole number of Petrobank Shares or Petrobank Notes provided that each beneficial holder of Common Shares or Notes shall be entitled to the benefit of only one adjustment.
- 5.4** The holders of Common Shares and Notes shall not be entitled to any interest, dividend, premium or other payment on or with respect to the former Common Shares or Notes other than the cash or certificates representing the Petrobank Shares or Petrobank Notes which they are entitled to receive for the former Common Shares and Notes pursuant to this Arrangement.
- 5.5** Any certificate formerly representing Common Shares or Notes that is not deposited with all other documents as provided in Section 5.2 on or before the sixth anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature and the right of the holder of such Common Shares or Notes to receive cash or certificates representing Petrobank Shares or Petrobank Notes shall be deemed to be surrendered to Petrobank together with all dividends or distributions thereon held for such holder.

**ARTICLE 6
AMENDMENTS**

- 6.1** Barrington reserves the right to amend, modify and/or supplement this Plan of Arrangement from time to time at any time prior to the Effective Time provided that any such amendment, modification or supplement must be contained in a written document that is (a) agreed to by Petrobank, (b) filed with the Court and, if made following the Meetings, approved by the Court and (c) communicated to Securityholders in the manner required by the Court (if so required).
- 6.2** Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Barrington at any time prior to or at the Meetings provided that Petrobank shall have consented thereto with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Meetings (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- 6.3** Any amendment, modification or supplement to this Plan of Arrangement which is approved by the Court following the Meetings shall be effective only (a) if it is consented to by Barrington, (b) if it is consented to by Petrobank and (c) if required by the Court or applicable law, it is consented to by the Securityholders.

EXHIBIT A

Terms of Petrobank Notes

Issue:

\$500,000,000 aggregate principal amount of 9% unsecured, subordinated notes due June 30, 2008 (the "Petrobank Notes") of which \$45 million are proposed to be issued pursuant to the Plan of Arrangement between Petrobank and Barrington.

Interest Payment Dates:

March 31, June 30, September 30 and December 31 of each year, commencing September 30, 2001. Petrobank may satisfy its obligation to pay interest on any applicable Interest Payment Date by delivering Shares to the Note Trustee, in which event holders of the Petrobank Notes shall be entitled to receive cash payments equal to the interest owing from the proceeds of the sale of the requisite Shares by the Note Trustee. See "Description of Petrobank Notes – Option to Extend Interest Payment Periods" and "– Share Payment Election". Holders of the Petrobank Notes will not, however, be entitled to receive any Shares in satisfaction of Petrobank's obligation to pay such interest.

Payment:

On maturity and subject to any applicable subordination restrictions, Petrobank will repay the indebtedness represented by the Petrobank Notes by paying to the Note Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Petrobank Notes, together with accrued and unpaid interest thereon. However, Petrobank may satisfy its obligation to pay the principal and accrued interest due on maturity and any interest obligation by delivering to the Note Trustee shares or other equity interests of Petrobank or a successor (the "Shares") in which event the holders of the Petrobank Notes shall be entitled to receive a cash payment equal to the applicable amount due at maturity or any interest obligation from the proceeds of the sale of the requisite Shares by the Note Trustee. See "Description of Petrobank Notes — Share Payment Election". Holders of the Petrobank Notes will not, however, be entitled to receive any Shares in satisfaction of Petrobank's obligation to pay the applicable amounts due upon the maturity or to pay any interest obligation of the Petrobank Notes.

Ranking:

The Petrobank Notes will be issued as unsecured subordinated debt of Petrobank. Payment of principal and interest (other than regularly scheduled interest and principal at maturity provided no default on Senior Indebtedness has occurred and payment of such interest or principal is not otherwise required to be suspended in accordance with the terms of subordination agreements which may have been entered into with the holders of Senior Indebtedness) on the Petrobank Notes will be subordinated in right of payment, as set forth in the Petrobank Note Indenture, to the prior payment in full of principal of, and accrued and unpaid interest on, and all other amounts owing in respect of, all Senior Indebtedness. "Senior Indebtedness" as defined in the Petrobank Note Indenture will include indebtedness of Petrobank for borrowed money; its obligations in respect of bonds, notes, debentures or other similar instruments; its capital lease obligations; its obligations for the deferred purchase price of property or under title retention agreements; its obligations in respect of letters of credit, bankers' acceptances or similar credit transactions; secured obligations; obligations under interest or currency swaps and hedging instruments; and guarantees of such obligations of others. The Petrobank Note Indenture provides that, in the event of any other creditor proceedings relative to Petrobank, the holders of all Senior Indebtedness (which could include bank debt and trade suppliers of Petrobank), will be entitled to receive payment in full before the holders of the Petrobank Notes are entitled to receive any payment. Any payment of property received contrary to these provisions must be held in trust for, and paid over to, the holders of Senior Indebtedness. In the event of any creditor proceedings, the indebtedness represented by the Petrobank Notes is not to be classified with any Senior Indebtedness for voting or distribution, which means that

holders of Senior Indebtedness may vote separately from the holders of Petrobank Notes in respect of any restructuring or arrangement proposal regarding Petrobank. In addition, if such separate voting is not given effect to in creditor proceedings, the holders of Senior Indebtedness are expressed to be entitled to direct the votes applicable to the Petrobank Notes. The Petrobank Notes are also effectively subordinate to claims of creditors of Petrobank's subsidiaries except to the extent Petrobank is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. As of May 11, 2001, Petrobank had approximately \$5,000,000 of Senior Indebtedness in the form of accounts payable. There are no terms in the Petrobank Notes that limit the ability of Petrobank to incur additional indebtedness, including indebtedness that ranks senior or *pari passu* to Petrobank Notes.

Redemption:

The Petrobank Notes are redeemable by Petrobank, in whole or in part, at any time and from time to time on or after June 30, 2004, at a redemption price equal to 100% of the principal amount of the Petrobank Notes to be redeemed plus accrued and unpaid interest thereon to the date of such redemption. In addition, the Petrobank Notes are redeemable by Petrobank, in whole but not in part, at any time upon the occurrence of a Redemption Tax Event (as defined in the Petrobank Note Indenture) at a redemption price equal to 100% of the principal amount thereof plus any accrued and unpaid interest to the date of redemption. See "Description of Petrobank Notes – Optional Redemption" and "– Redemption for Changes in Canadian Tax Law". Petrobank may satisfy its obligation to pay the applicable redemption price by delivering shares to the Note Trustee, in which event the holders of the Petrobank Notes shall be entitled to receive a cash payment equal to the applicable redemption price, from the proceeds of the sale of the requisite Shares by the Note Trustee. See "Description of Petrobank Notes – Share Payment Election". Holders of the Petrobank Notes will not, however, be entitled to receive any Shares in satisfaction of Petrobank's obligation to pay the applicable redemption price.

Sinking Fund:

None

Governing Law:

The Petrobank Note Indenture and the Petrobank Notes will be governed by the laws of the Province of Alberta.

Default:

The Petrobank Note Indenture provides that any of the following shall constitute an Event of Default: (i) default in payment of the interest of the Petrobank Notes for four quarters within 60 days of the last of such quarters; (ii) the failure to pay principal on maturity; (iii) acceleration of indebtedness for borrowed money exceeding \$10,000,000; (iv) certain events of winding-up, liquidation, bankruptcy, insolvency or receivership; (v) the taking of possession by an encumbrancer or of all or a substantial and material part of the property of Petrobank; or (vi) default on the observance or performance of any other covenant or condition of the Petrobank Note Indenture; and the continuance of any such default for a period of 90 days after notice in writing has been given by the Note Trustee to Petrobank, specifying such default and requiring Petrobank to rectify the same.

EXHIBIT B

Form of Petrobank Note Indenture

See attached

NOTE INDENTURE

Providing for the Issue of Cdn. \$500,000,000

Subordinated Notes

BETWEEN

PETROBANK ENERGY AND RESOURCES LTD.

- and -

MONTREAL TRUST COMPANY OF CANADA

Dated as of June [21], 2001

TABLE OF CONTENTS

	Page
ARTICLE 1 INTERPRETATION	1
1.1 Definitions	1
1.2 Meaning of Outstanding	9
1.3 Headings	9
1.4 Gender and Number	9
1.5 Currency	10
1.6 Governing Law	10
1.7 Day Not a Business Day	10
1.8 Accounting Principles	10
1.9 Interest Calculations	10
1.10 Time of the Essence	11
1.11 Language	11
ARTICLE 2 THE NOTES	11
2.1 Terms of Notes	11
2.2 Form and Signature of Notes	12
2.3 Issue of Notes	13
2.4 Certification	13
2.5 Notes to Rank Pari Passu	13
2.6 Registration of Notes	14
2.7 Persons Entitled to Payment	15
2.8 Mutilation, Loss, Theft or Destruction	15
2.9 Exchange of Notes	16
2.10 Transfer	16
2.11 Option of Holder as to Place of Payment	16
2.12 Trustee Not Bound to Make Enquiries	16
2.13 Share Payment Election	17
2.14 Right to Purchase	19
2.15 Non-Retractable	19
ARTICLE 3 SUBORDINATION OF NOTES	19
3.1 Subordination	19
3.2 Distribution on Creditor Proceedings	20
3.3 No Payment to Noteholders In Certain Events	21
3.4 Payment of Notes Permitted	22
3.5 Subordination not to be Impaired	22
3.6 Notice of Default under Senior Indebtedness	22
3.7 Inapplicability in Certain Circumstances	22
3.8 No Impairment Between Corporation and Holder	22
3.9 Procedural Matters - General	23
3.10 Procedural Matters - Classification	24

ARTICLE 4 COVENANTS OF THE CORPORATION	24
4.1 Positive Covenants.....	24
4.2 Trustee May Perform Covenants.....	25
4.3 Pay Trustee's Remuneration	25
4.4 Certificates Relating to Default.....	25
ARTICLE 5 DEFAULT	26
5.1 Events of Default.....	26
5.2 Acceleration of Maturity	27
5.3 Remedies	28
5.4 Remedies not Exclusive	28
5.5 Costs.....	28
5.6 Delay	28
5.7 No Recourse Against Other Parties	28
5.8 Notice of Events of Default.....	28
5.9 Waiver of Default	29
5.10 Certificate re Default	29
5.11 Enforcement by the Trustee	30
5.12 No Suits by Holders	31
5.13 Application of Monies by Trustee	31
5.14 Distribution of Proceeds	32
5.15 Judgment Against the Corporation	32
ARTICLE 6 SATISFACTION, DISCHARGE AND REDEMPTION	33
6.1 Payment of Principal Amount	33
6.2 Non-Presentation of Notes	33
6.3 Repayment of Unclaimed Monies.....	33
6.4 Optional Redemption by Corporation	33
6.5 No Sinking Fund.....	34
6.6 Election to Redeem: Notice to Trustee	34
6.7 Selection by Trustee of Notes to be Redeemed	34
6.8 Notice of Redemption.....	34
6.9 Deposit of Redemption Price.....	35
6.10 Securities Payable on Redemption Date	35
6.11 Securities Redeemed in Part.....	35
ARTICLE 7 MEETINGS OF HOLDERS	36
7.1 Right to Convene Meeting	36
7.2 Notice of Meetings	36
7.3 Chairman	36
7.4 Quorum	36
7.5 Power to Adjourn.....	37
7.6 Show of Hands.....	37
7.7 Poll	37
7.8 Voting.....	37
7.9 Regulations	37
7.10 Persons Entitled to Attend Meetings	38

7.11	Powers Exercisable by Extraordinary Resolution	38
7.12	Meaning of Extraordinary Resolutions	40
7.13	Powers Cumulative	41
7.14	Minutes	41
7.15	Instrument in Writing	41
7.16	Binding Effect of Resolutions	41
7.17	Evidence of Rights of Holder	42
ARTICLE 8 NOTICES		42
8.1	Notice	42
ARTICLE 9 CONCERNING THE TRUSTEE		43
9.1	No Conflict of Interest	43
9.2	Replacement of Trustee	43
9.3	Duties of Trustee	44
9.4	Reliance Upon Declarations	46
9.5	Evidence and Authority to Trustee	46
9.6	Certificate of the Corporation as Evidence	47
9.7	Experts, Advisers and Agents	47
9.8	Documents Held by Trustee	47
9.9	Investments of Monies by Trustee	48
9.10	Trustee Not Ordinarily Bound	48
9.11	Trustee Not Required to Give Security	48
9.12	Trustee Not to Be Appointed Receiver	48
9.13	Trustee Not Bound to Act	49
9.14	Conditions Precedent to Trustee's Obligations to Act Hereunder	49
9.15	Authority to Carry on Business	49
9.16	Acceptance of Trust	49
9.17	Indemnity of Trustee	50
9.18	Assignment to ComputerShare Trust Company of Canada	50
ARTICLE 10 SUPPLEMENTAL INDENTURES		50
10.1	Supplemental Indenture	50
10.2	Indenture Confirming or Evidencing Subordination	51
ARTICLE 11 FORM OF NOTE		52
11.1	Form of Note	52
ARTICLE 12 SUCCESSOR CORPORATIONS		52
12.1	Successor Corporation to the Corporation	52
12.2	Vesting of Powers in Successor Corporation	52
12.3	Arrangement and Amalgamation	53
ARTICLE 13 GENERAL		53

13.1	Entire Agreement	53
13.2	Amendments	53
13.3	Further Assurances	53
13.4	Unenforceable Terms	53
13.5	Trustee Indenture Legislation	53
13.6	Execution	54
13.7	Formal Date	54

THIS NOTE INDENTURE is made as of the **[21]** day of June, 2001.

BETWEEN:

PETROBANK ENERGY AND RESOURCES LTD., a corporation existing under the laws of Alberta (hereinafter referred to as the "**Corporation**")

AND:

MONTREAL TRUST COMPANY OF CANADA, a trust company incorporated under the laws of Canada and authorized to carry on business in all provinces of Canada (hereinafter referred to as the "**Trustee**")

WHEREAS:

- A. The Corporation is proposing to issue Notes in the manner herein set forth;
- B. The Corporation represents to the Trustee that all necessary resolutions of the Corporation have been duly enacted, passed or confirmed and all other proceedings taken and conditions complied with to authorize the execution and delivery of this Note Indenture and the execution and issue of the Notes and to make the same legal and valid and binding on the Corporation in accordance with the laws applicable to the Corporation;
- C. All acts and deeds necessary have been done and performed to make the Notes, when certified by the Trustee and issued as provided for in this Note Indenture, legal, valid and binding upon the Corporation with the benefits and subject to the terms of this Note Indenture;
- D. The foregoing recitals are made as representations and statements of fact by the Corporation and not the Trustee; and
- E. The Trustee has agreed to act as trustee for the Noteholders on the terms and conditions herein set forth.

NOW THEREFORE, in consideration of the premises and in further consideration of the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Note Indenture (including the recitals and schedules hereto), and in all indentures supplemental hereto, and in the Notes, unless there is something in the subject matter or context inconsistent therewith:

- a. "**Acceleration Notice**" means a written notice delivered pursuant to Section 5.2 declaring all Indebtedness and liability of the Corporation outstanding to the Holders under the Notes to be due and payable;

- b. **"Act"** means the *Business Corporations Act* (Alberta) R.S.A. 1981, c. B-15, as amended, including the regulations thereunder;
- c. **"Amalgamation"** means the amalgamation of the Corporation and Barrington Petroleum Limited under the provisions of the Act and pursuant to the Arrangement;
- d. **"Arrangement"** means the Plan of Arrangement pursuant to Section 186 of the Act as provided for in an agreement dated May 17, 2001 between the Corporation and Barrington Petroleum Limited;
- e. **"Board Resolution"** means, with respect to any Person, a copy of a resolution certified by an officer of such Person to have been duly adopted by the board of directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee;
- f. **"Borrowing Base Covenant"** means covenants provided by the Corporation to a holder of Senior Indebtedness pursuant to an agreement in writing with such holder whereby an amount of credit made available by such holder of Senior Indebtedness is from time to time determined by such holder based upon its determination of valuations of certain assets of the Corporation;
- g. **"Business Day"** means any day except (i) Saturdays, (ii) Sundays, or (iii) days on which Canadian chartered banks in Calgary, Alberta are authorized or required by law to close;
- h. **"Canadian Dollars", "Cdn. Dollars" or "Cdn. \$"** means the lawful currency of Canada;
- i. **"Capitalized Lease Obligation"** means, as to any Person, the obligations of such Person to pay rent or other amounts under a lease of real or personal property that are required to be classified and accounted for as capital lease obligations under generally accepted accounting principles and would appear as a dollar amount on the consolidated balance sheet of such Person and, for purposes of this definition, the amount of such obligations at any date shall be the capitalized amount of such obligations at such date as so determined in accordance with generally accepted accounting principles;
- j. **"Certificate of the Corporation", "Request of the Corporation", "Written Direction of the Corporation" and "Consent of the Corporation"** mean, respectively, a written certificate, request, direction or consent signed in the name of the Corporation by any one director or senior officer of the Corporation, and may consist of one or more instruments so executed. A Certificate of the Corporation shall be in the form of a statutory declaration if and when required under the provisions of this Note Indenture or by the Trustee;
- k. **"Corporation"** means Petrobank Energy and Resources Ltd. and includes any Successor Corporation;
- l. **"Counsel"** means a barrister or solicitor or firm of barristers or solicitors, who may be counsel for the Corporation, retained, employed, engaged or appointed by the Trustee or retained, employed, engaged or appointed by the Corporation and acceptable to the Trustee where the context so indicates;

- m. **"Creditor Proceedings"** means any dissolution, winding-up, total or partial liquidation, adjustment or readjustment of debt, reorganization, compromise, arrangement with creditors, proposal under the *Bankruptcy and Insolvency Act* (Canada), plan of arrangement under the *Companies' Creditors Arrangement Act* (Canada) or arrangement provisions of applicable corporate law, or similar proceedings of or with respect to the Corporation or its property or liabilities, or any bankruptcy, insolvency, receivership, assignment for the benefit of creditors, marshalling of assets and liabilities of or with respect to the Corporation, or proceedings in relation to any of the foregoing;
- n. **"Currency Agreement"** means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect the Corporation or any Subsidiary of the Corporation against fluctuations in currency values;
- o. **"DBRS"** means Dominion Bond Rating Service Limited and its successors;
- p. **"Default"** means any event or conditions which, with the giving of notice, lapse of time or upon a declaration or determination being made (or any combination thereof), would constitute an Event of Default;
- q. **"Defaulted Interest"** has the meaning specified in Section 2.1d;
- r. **"Director"** means a member of the board of directors of the Corporation (or, as applicable, a Successor Corporation) for the time being and **"Directors"**, **"Board of Directors"** or **"Board"** means the board of directors of the Corporation (or, as applicable, a Successor Corporation) or any duly authorized committee thereof, and reference to **"action by the Directors"** means action by the directors of the Corporation (or, as applicable, a Successor Corporation) as a board or, whenever duly empowered, action by the executive committee thereof as such committee;
- s. **"Event of Default"** means any of the events of default referred to in Section 5.1;
- t. **"Extraordinary Resolution"** has the meaning attributed to it in Section 7.12 below;
- u. **"Guarantee"** by any Person means any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness (referred to in items (i) through (v) and (vii) and (viii) of the definition thereof) of any other Person (the **"primary obligor"**) in any manner, whether directly or indirectly, and including, without limitation, any lien on the assets of such first mentioned Person securing obligations of the primary obligor and any obligation of such first mentioned Person (i) to purchase or pay (or advance or supply funds for the purchase of) such Indebtedness or to purchase (or to advance or supply funds for the purchase or payment of) any security for the payment of such Indebtedness, (ii) to purchase property, securities or services for the purposes of assuring the holder of such Indebtedness or the payment of such Indebtedness, or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness; provided, however, that a Guarantee by any Person shall not include endorsements of cheques or similar instruments by such Person for collection or deposit, in either case, in the ordinary course of business;

- v. **"Hedging Agreement"** means any contract entered into by the Corporation providing for the forward sale of natural gas or petroleum, a spot deferred or a put or call option or a commodity swap in respect of natural gas or petroleum or any combination thereof;
- w. **"Holders"** means the Persons from time to time entered in the Registers as Holders of Notes and **"Holder"** means any such Person;
- x. **"Indebtedness"** means, with respect to any Person, without duplication, (i) all Obligations of such Person for borrowed money; (ii) all Obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; (iii) all Capitalized Lease Obligations of such Person; (iv) all Purchase Money Indebtedness of such Person; (v) all Obligations of such Person for the reimbursement upon any draw of any obligor on any letter of credit, payment of a banker's acceptance or similar credit transaction; (vi) Guarantees issued by, and other contingent obligations of, such Person in respect of Indebtedness referred to in clauses (i) through (v) above and clause (viii) below; (vii) all Obligations which are secured by any lien or other security interest on any property or asset of such Person; and (viii) the Obligations of such Person under Currency Agreements, Hedging Agreements and Interest Swap Obligations or, if the terms of such agreements permit netting or offsetting of amounts payable against amounts receivable from the same Person, the net Obligations in respect of such agreements owed to such Person at such time;
- y. **"Interest Payment Date"** means (i) March 31, June 30, September 30 and December 30 of each year; (ii) in the case of the last Interest Period, the Maturity Date; (iii) in the case of the issuance of an Acceleration Notice, the date specified in such Acceleration Notice as the date on which all indebtedness and liabilities under the Notes are due and payable; and (iv) in the case of the payment of interest on overdue amounts, then the next Interest Payment Date otherwise occurring;
- z. **"Interest Period"** means, as applicable, (i) the period beginning on (and including) the Issue Date and ending on (and including) the last day of the calendar quarter during which such Issue Date occurs, provided that in respect of the Notes issued in respect of the Arrangement, the first Interest Period shall end on and include the 30th day of September, 2001; (ii) thereafter, successive periods beginning on (and including) the first day of the calendar quarter (being a 3 month period beginning July 1, October 1, January 1 or April 1) next following the end of each Interest Period and ending on (and including) the last day of such calendar quarter; and (iii) if any Note shall become payable as a result of the issuance of an Acceleration Notice, the period beginning on the first day of the period specified in (i), (ii) or (iii) above, as applicable, in which payment is required under such Acceleration Notice and ending on the date specified in such Acceleration Notice upon which payment is required thereunder;
- aa. **"Interest Rate"** means a per annum rate of nine percent (9%);
- bb. **"Interest Swap Obligations"** means the obligations of any Person pursuant to any arrangement with any other Person whereby, directly or indirectly, such Person is entitled to receive from time to time periodic payments calculated by applying either a floating or a fixed rate of interest on a stated notional amount in exchange for periodic payments made by such other Person calculated by applying a fixed or a floating rate of

interest on the same notional amount and shall include, without limitation, interest rate swaps, caps, floors, collars and similar agreements;

- cc. **"Issue Date"** means, in respect of a Note, the date of its original issuance hereunder;
- dd. **"Maturity"** means the date on which the principal of and interest on the Notes becomes due and payable as therein or herein provided at the Maturity Date or by Acceleration Notice;
- ee. **"Maturity Date"** means June 30, 2008;
- ff. **"Maturity Amount"** means the principal amount of the Notes issued hereunder plus accrued and unpaid interest on the Notes at Maturity;
- gg. **"Note Indenture", "Indenture", "hereto", "herein", "hereby", "hereunder", "hereof"** and similar expressions refer to this Note Indenture and not to any particular Article, Section, Subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto;
- hh. **"Noteholders' Request"** means an instrument signed in one or more counterparts by the Holder(s) of 20% in principal amount of the Notes outstanding requesting the Trustee to take some action or proceeding specified therein;
- ii. **"Notes"** means the subordinated notes to be issued hereunder in a maximum aggregate principal amount of \$500,000,000 and maturing on the Maturity Date and outstanding and entitled to the benefits hereof;
- jj. **"Obligations"** means all obligations for principal, premium, interest, penalties, fees, indemnification, reimbursement, damages or other liabilities and when used in reference to the Corporation includes the Redemption Price and any Share Payment Amounts;
- kk. **"outstanding"** in relation to Notes has the meaning ascribed thereto in Section 1.2;
- ll. **"Paying Agent"** means any Person (including the Corporation acting as Paying Agent) authorized by the Corporation to pay the principal of or interest on any Notes on behalf of the Corporation;
- mm. **"Payment Date"** means a date on which a payment of interest, Redemption Price or Maturity Amount is due;
- nn. **"Person"** means an individual, partnership or corporation;
- oo. **"Property Account"** means a segregated non-interest bearing trust account, established and maintained by, in the name of and under the exclusive control of the Trustee as custodian for and on behalf of the Holders, which account shall be maintained with the Trustee or banking institutions whose long-term unsecured indebtedness has a rating of at least A with S&P or at least A with DBRS. Funds deposited in the Property Account shall be uninvested until disbursed in accordance with this Indenture;

- pp. **"Purchase Money Indebtedness"** means Indebtedness of any Person incurred for the purpose of financing all or any part of the deferred purchase price or the cost of acquisition, installation, construction or improvement of any property or capital asset including all conditional sale Obligations and all Obligations under any title retention agreement;
- qq. **"Qualified Issuer"** means a person whose long term unsecured indebtedness is rated at least A by each of S&P and DBRS;
- rr. **"Qualified Obligations"** means securities which are direct obligations of a Qualified Issuer which are not callable or redeemable at the option of the Issuer thereof or subject to prepayment;
- ss. **"Record Date"** means for an Interest Period:
 - i. the March 15, June 15, September 15 or December 15 preceding an Interest Payment Date;
 - ii. occurring as a result of an Acceleration Notice, the date which is 5 Business Days prior to the last day of such Interest Period;
 - iii. ending on the Maturity Date, the date which is 5 Business Days prior to the Maturity Date; and
 - iv. for all payments of interest on overdue amounts, the same date as applicable pursuant to (i) above for the Interest Payment Date on which such payment is due;
- tt. **"Redemption Date"** means, when used with respect to any Note to be redeemed, in whole or in part, the date fixed for such redemption via or pursuant to this Note Indenture;
- uu. **"Redemption Price"** means, when used with respect to any Note to be redeemed, an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon to the Redemption Date;
- vv. **"Redemption Tax Event"** means that the Corporation shall have delivered to the Trustee an opinion of a recognized independent Canadian tax accountant to the effect that a relevant tax law change has occurred. A **"relevant tax law change"** is (a) any amendment to or change (including any announced prospective change) in the laws (or any regulations thereunder) of Canada or any political subdivision or taxing authority thereof or therein, as applicable, or (b) any amendment to or change in an interpretation or application of such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination), in either case, which amendment or change occurs after June [21], 2001 and as a result of which (assuming that such amendment or change is enacted or applied to the Corporation) there is more than insubstantial risk that the Corporation could be denied in whole or in part the deduction of interest paid or payable in respect of the Notes in computing its income for

the purpose of the *Income Tax Act* (Canada) or Canadian provincial or territorial income tax statute;

- ww. **"Register"** has the meaning ascribed thereto in Section 2.6;
- xx. **"S&P"** means Standard and Poor's Rating Services, a division of The McGraw-Hill Companies Inc., and its successors;
- yy. **"Securities Laws"** means the *Securities Act* (Alberta) and the regulations thereunder, together with the applicable published policy statements and orders of the Canadian Securities Administrators and the Alberta Securities Commission, and any other similar laws, regulations or policies of any other province of Canada or securities regulatory authority having jurisdiction over the Corporation;
- zz. **"Senior Indebtedness"** means Indebtedness of the Corporation, other than Subordinated Indebtedness;
- aaa. **"Senior Indebtedness Default"** shall mean and include (i) any default in payment under any Senior Indebtedness; (ii) any breach or default by the Corporation in respect of any Borrowing Base Covenant where the holder of Senior Indebtedness to which such covenant has been given has provided notice in writing to the Corporation of the breach thereof and requiring rectification within a specified period of time; or (iii) any other event of default under any Senior Indebtedness which has not been cured or remedied within any applicable grace period, or waived by the holder of such Senior Indebtedness;
- bbb. **"Senior Indebtedness Documents"** means and includes all documents, instruments and agreements, including all security documents, evidencing, creating, authorizing, guaranteeing or securing Senior Indebtedness;
- ccc. **"Shares"** means common shares, preferred shares, or other securities that are considered equity under generally accepted accounting principles, in the capital of the Corporation or a Successor Corporation, whether outstanding on the date hereof or issued thereafter or any other shares or securities resulting from a reclassification or change of such common shares, preferred shares or other equity securities;
- ddd. **"Share Bid Request"** means a request for bids made in accordance with the Share Election Notice and which makes the acceptance of any bid conditional on the acceptance of sufficient bids to allow for the payment of the Share Election Amount on the Share Delivery Date;
- eee. **"Share Delivery Date"** means the date, no more than 90 days and not less than 3 Business Days, prior to the Payment Date, upon which Shares are delivered by the Corporation for purchase pursuant to a Share Election Notice;
- fff. **"Share Election Amount"** means the aggregate amount of the proceeds, based on the bids obtained pursuant to the Share Bid Request, of the sale of Shares on a Share Delivery Date, equal to the interest, Redemption Price or Maturity Amount, as applicable, less any amount attributable to any fractional Share;

- ggg. **"Share Election Notice"** means a written notice made by the Corporation to the Trustee specifying:
- i. that the election relates to an obligation to pay interest, Redemption Price or Maturity Amount;
 - ii. the payment to which the election relates and the Payment Date;
 - iii. the amount of the payment due to the Holders on the Payment Date the Corporation proposes to satisfy by delivery of Shares;
 - iv. the specific Persons from whom the Trustee shall request bids to purchase the Shares and the parameters of such bids, which may include the minimum number of Shares, the minimum price per Share, the time for closing for bids and such other matters as the Corporation may specify;
 - v. that the Trustee shall accept only those bids which comply with such notice; and
 - vi. that such notice has been delivered to the Trustee by the time required by Section 2.13b hereof;
- hhh. **"Share Payment Amount"** has the meaning ascribed thereto in Section 2.13a;
- iii. **"Share Payment Election"** means an election to pay one or more of interest, Redemption Price or Maturity Amount on a Payment Date by the delivery of Shares;
- jjj. **"Share Purchase Agreement"** means an agreement in customary form among the Corporation, the Trustee and the Persons making acceptable bids pursuant to a Share Bid Request which complies with all applicable laws, including the applicable securities laws of Canada, the rules and regulations of any stock exchange on which the Shares are then listed and the laws, rules and regulations of any jurisdiction in which the Shares may be offered for sale;
- kkk. **"Subordinated Indebtedness"** means the Indebtedness evidenced by the Notes and any other Indebtedness if it is provided by the terms of the instrument creating or evidencing any such Indebtedness that such Indebtedness is to rank *pari passu* or subordinate in right of payment to the Notes;
- III. **"Subsidiary"** has the meaning ascribed thereto in the *Business Corporations Act*, Alberta;
- mmm. **"Successor Corporation"** has the meaning ascribed thereto in Section 12.1;
- nnn. **"Transfer"** means a transfer in the form and substance of the transfer attached to the Notes; and
- ooo. **"Trustee"** means Montreal Trust Company of Canada or its successor or successors for the time being in the trusts created hereunder.

1.2 Meaning of Outstanding

- a. Every Note certified and delivered by the Trustee hereunder shall be deemed to be outstanding until:
 - i. it shall be cancelled;
 - ii. it shall be delivered to the Trust for cancellation; or
 - iii. monies for the payment or redemption of Notes in the necessary amount shall have been set aside by the Corporation and deposited with the Trustee or any Paying Agent (other than the Corporation) in trust or set aside and segregated in trust by the Corporation (if the Corporation acts as its own Paying Agent) for the Holders of the Notes provided that if Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Note Indenture or provision therefore satisfactory to the Trustee has been made.
- b. When a new Note has been issued in substitution for a Note pursuant to Section 2.8, only one of such Notes shall be counted for the purpose of determining the aggregate principal amount of Notes outstanding.
- c. For the purposes of any provision of this Note Indenture entitling Holders of outstanding Notes to vote, sign consents, requisitions or other instruments or to take any other action under this Note Indenture, Notes owned directly or indirectly, legally or equitably, by the Corporation or any Subsidiary of the Corporation shall be disregarded except that:
 - i. for the purpose of determining whether the Trustee shall be protected in relying on any such vote, consent, requisition, instrument or other action, only the Notes which have been certified to the Trustee as so owned shall be so disregarded; and
 - ii. Notes so owned which have been pledged in good faith other than to the Corporation or a Subsidiary of the Corporation shall not be so disregarded if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Notes in its discretion free from the control of the Corporation or any Subsidiary of the Corporation.

1.3 Headings

The division of this Note Indenture into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Note Indenture of the Notes. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles or Sections are to Articles or Sections of this Note Indenture.

1.4 Gender and Number

In this Note Indenture and in the Notes, words importing the singular number only shall include the plural and vice versa, words importing the masculine gender shall include

the feminine and neuter genders and vice versa and words importing Persons shall include individuals, partnerships, associations, trusts, unincorporated organizations and corporations.

1.5 Currency

All payments contemplated herein and in the Notes shall be paid in Canadian Dollars, in cash, by bankers' draft or by cheque and all references herein and in the Notes to dollar amounts, whether or not specifically stated, are references to Canadian Dollars.

1.6 Governing Law

This Note Indenture and the Notes shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein but without giving effect to applicable conflicts of law provisions of the laws of such jurisdictions to the extent that such provision would require the application of the law of another jurisdiction.

1.7 Day Not a Business Day

Whenever any payment to be made hereunder shall be due or any other action is to be taken on, or as of, a day other than a Business Day, such payment shall be made and such other actions shall be taken, as the case may be, unless otherwise specifically provided for herein, on or as of the next succeeding Business Day (and without any interest or other payment in respect of any such delay) except that if such payment would, as a result of the foregoing, be paid in the next succeeding calendar year, then such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

1.8 Accounting Principles

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

1.9 Interest Calculations

Unless otherwise stated, whenever in this Note Indenture reference is made to a rate "per annum" or a similar expression is used, such rate shall be calculated on the basis of a calendar year of 365 or 366 days as the case may be. Interest calculated for an Interest Period shall be calculated on the actual number of days elapsed in such Interest Period divided by 365 or 366, as applicable, depending on the actual number of days in the 12 month period commencing on the first day of the Interest Period. All interest computations hereunder or under any Note shall be based on the nominal rate method of calculation, and the theory of

deemed reinvestment shall not apply to the calculation of interest hereunder or under any Note. To the extent permitted by applicable law, any provision of the *Interest Act* (Canada) or the *Judgment Interest Act* (Alberta) which restricts any rate of interest set forth herein shall be inapplicable to this Note Indenture and is hereby waived.

1.10 Time of the Essence

Time shall be of the essence of this Note Indenture.

1.11 Language

This document is drawn up in English at the express request of the parties. C'est la volonté expresse des parties que cette entente soit rédigée en anglais.

ARTICLE 2 THE NOTES

2.1 Terms of Notes

- a. The aggregate principal amount of Notes authorized to be issued under this Note Indenture shall be limited to Cdn. \$500,000,000. The Corporation shall have the right, from time to time, without the consent of the Holders, to issue additional Notes under this Note Indenture, which additional Notes will have terms substantially identical, except as to denomination, and the date from which interest shall accrue.
- b. Each Note shall be dated as of its Issue Date, shall mature and the principal thereof shall be repaid on the Maturity Date and shall bear interest at the Interest Rate from and including its Issue Date or from and including the first day of the Interest Period following the last Interest Period for which interest shall have been paid or made available for payment, as applicable, to and including the last day of such Interest Period. Interest on the Notes shall be payable in arrears on each Interest Payment Date for each Interest Period calculated at the Interest Rate for such Interest Period on the principal amount outstanding under each Note for each day of such Interest Period.
- c. The Corporation may, in its discretion, elect to pay interest (including Defaulted Interest) by making a Share Payment Election in accordance with Section 2.13.
- d. Interest shall be payable by the Corporation on all overdue amounts owing by it under the Notes from the date any such payment becomes overdue, and for so long as such amount remains unpaid, at the Interest Rate. Such interest on overdue amounts (such default interest called "**Defaulted Interest**") shall be payable after as well as before maturity, default and judgment. Any such interest on overdue amounts shall be payable in arrears on each Interest Payment Date to the Holder on the Record Date applicable to such Interest Payment Date. Prior to making any payment of interest on overdue interest at any time when the Notes are listed on the Toronto Stock Exchange or other Canadian stock exchange, the Corporation will provide reasonable notice to the Toronto Stock Exchange or, if the Notes are not then listed thereon, on such other Canadian stock exchange.

- e. As interest becomes due on the Notes, the Corporation shall cause to be sent, either directly or through the Trustee, an agent of the Trustee, at least three (3) days prior to each date on which such interest becomes due, a cheque or by other transfer of funds by such means as may be considered appropriate by the Trustee or the agent of the Trustee for such interest (less any tax required by law to be withheld therefrom) payable to the order of each Holder as at the Record Date and addressed to it at its last address or account, as the case may be, appearing on the Register. In the case of joint Holders as at the applicable Record Date, the cheque or other such transfer of funds, as the case may be, shall be payable or issued to the order of all such joint Holders and addressed to them at the last address or account appearing on the Register, as the case may be. If more than one address or account appears on the Register in respect of such joint Holders, the cheque or other such transfer of funds, as the case may be, shall be mailed or delivered, as the case may be, to the first address or account so appearing. In the event of non-receipt of any cheque or funds for interest by such Holder, the Corporation will cause to be issued, either directly or through the Trustee or an agent of the Trustee, to such Holder a replacement cheque or replacement transfer of funds for like amount upon being furnished with such evidence of non-receipt as it shall reasonably require and upon the Corporation and the Trustee being indemnified to their satisfaction, acting reasonably. The forwarding of such cheque or the making of such payment by other means shall satisfy and discharge the liability for the interest on such Notes to the extent of the sum or sums represented thereby (plus the amount of any tax deducted as aforesaid) unless such cheque if payment is so made by cheque be not paid on presentation.
- f. If the Corporation or the Trustee receives notice that payment in respect of the Notes is required to be suspended under Section 3.3a or 3.3b, then the Corporation will not pay, and the Trustee will not distribute any amount paid to it by the Corporation, for the benefit of the Holders until the Trustee has received the certificate of the holder of the relevant Senior Indebtedness or an agent or trustee therefor evidencing indefeasible payment in full and in cash of such Senior Indebtedness or cure or waiver of the relevant Senior Indebtedness Default contemplated by such Section(s).

2.2 Form and Signature of Notes

- a. The Notes shall be issued only as fully registered Notes without coupons, in denominations of nine hundred (\$900) dollars and in integral multiples thereof. The Notes (including the certificate of the Trustee endorsed thereon) shall be substantially in the form set forth in Schedule "A" hereto. The Notes shall bear such distinguishing letters and numbers as the Trustee may approve and may include a translation into the French language.
- b. The Notes shall be under the seal of the Corporation (or a reproduction thereof which shall be deemed to be the seal of the Corporation) and shall be signed (either manually or by facsimile signature) by two officers of the Corporation. A facsimile signature upon any of the Notes shall for all purposes of this Note Indenture be deemed to be the signature of the Person whose signature it purports to be and to have been signed at the time such facsimile signature is reproduced; provided, however, that the certification of the Trustee shall not be by facsimile signature. Notwithstanding that any Person whose signature, either manual or in facsimile, may appear on the Notes is no longer, at the date of this Note Indenture or at the date of the Notes or at the date of the

certification and delivery thereof, the holder of the office indicated, any such Note shall be valid and binding upon the Corporation and entitled to the benefits of this Note Indenture.

2.3 Issue of Notes

Notes in the aggregate principal amount of not more than Cdn. \$500,000,000 may be executed by the Corporation and, forthwith after such execution, shall be delivered to the Trustee and shall be certified by the Trustee and delivered to or to the order of the Corporation pursuant to a Written Direction of the Corporation.

2.4 Certification

- a. No Note shall be issued or, if issued, shall be obligatory or shall entitle the Holder to the benefits of this Note Indenture, until it has been certified by or on behalf of the Trustee substantially in the form set out in Schedule "A" hereto (or in some other form approved by the Trustee). Such certification on any Note shall be conclusive evidence that such Note is duly issued, is a valid obligation of the Corporation and the Holder is entitled to the benefits hereof.
- b. The certificate of the Trustee signed on the Notes shall not be construed as a representation or warranty by the Trustee as to the validity of this Note Indenture or of the Notes or as to the issuance of the Notes and the Trustee shall in no respect be liable or answerable for the use made of the Notes or any of them or the proceeds thereof. The certificate of the Trustee signed on the Notes shall, however, be a representation and warranty of the Trustee pursuant to the provisions of this Note Indenture.

2.5 Notes to Rank Pari Passu

- a. The Notes may be issued in such amounts, to such Persons and on such terms not inconsistent with the provisions of this Note Indenture as the Corporation by Written Direction of the Corporation directs, pursuant to Section 2.3, at par. The Notes as soon as issued or negotiated, subject to the terms hereof, will be general unsecured obligations of the Corporation limited to Cdn. \$500,000,000 aggregate principal amount. The Notes will rank *pari passu* in right of payment to all existing and future Indebtedness of the Corporation other than existing and future Senior Indebtedness and will be subordinated in right of payment to all existing and future Senior Indebtedness of the Corporation.
- b. Except as provided in Article 3 or Section 2.13, nothing contained in this Note Indenture or in the Notes is intended to or shall impair, as between the Corporation and the Holders, the obligation of the Corporation, which is absolute and unconditional, to pay to the Holders the principal and interest on the Notes as and when the same shall become due and payable in accordance with their terms, nor shall anything herein or therein prevent the Trustee or the Holder of any Notes from exercising all remedies otherwise permitted by applicable law upon default under this Note Indenture, subject to the rights of the holders of Senior Indebtedness.
- c. Except as provided in Article 3 or Section 2.13, (i) nothing contained in this Note Indenture or in the Notes shall affect the obligation of the Corporation to make, or

prevent the Corporation from making, at any time except in accordance with Article 3, payment of principal of, or interest on, the Notes, and (ii) nothing contained in this Section 2.5 or elsewhere in this Note Indenture or in any of the Notes shall prevent the application by the Trustee of any monies deposited with the Trustee hereunder for the purpose of the payment of or on account of the principal of, or interest on, the Notes. Notwithstanding the provisions of this Section 2.5 or any provisions contained in this Note Indenture or in the Notes, the Trustee shall not be charged with knowledge of the existence of any Senior Indebtedness or of any default in the payment thereof, unless and until the Trustee shall have received written notice thereof from the Corporation or from the holder of any Senior Indebtedness or from the representative of any such holder.

2.6 Registration of Notes

- a. The Corporation shall, at all times while any Notes are outstanding, cause to be kept by the Trustee or other registrars at the principal office of the Trustee in the City of Calgary and in such other place or places and by the Trustee or such other registrars, if any, as the Corporation with the approval of the Trustee may designate, registers ("**Register(s)**") in which shall be entered the names and addresses of the holders and particulars of the Notes held by them respectively and of all transfers of Notes. No transfer of a Note shall be valid unless made by the Holder or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and execution satisfactory to the Trustee, upon compliance with such requirements as the Trustee may prescribe, and unless such transfer shall have been duly entered on one of the appropriate Registers or noted on such Note by the Trustee or other registrar.
- b. The Registers hereinbefore referred to shall at all reasonable times be open for inspection by the Corporation, the Trustee or any Holder. Every registrar (including the Trustee) shall from time to time when requested so to do by the Corporation or the Trustee furnish the Corporation or the Trustee with a list of the names and addresses of Holders entered on the Register or Registers kept by such registrar and showing the principal amount and certificate numbers of the Notes held by each such Holder. The reasonable costs of furnishing any such lists shall be for the account of the Corporation.
- c. The Holder of a Note may at any time and from time to time have such Note transferred at any of the places at which a Register is kept pursuant to the provisions of this Section, in accordance with such reasonable regulations as the Trustee and/or other registrar may prescribe, which shall include delivery of the Note together with a duly exercised transfer form, and subject to payment of the costs referred to in Section 2.9b hereof.
- d. None of the Trustee, any other registrar or the Corporation shall be charged with notice of or be bound to see to the execution of any trust, whether expressed, implied or constructive, with respect to any Note nor be affected by notice of any equity that may be subsisting with respect thereto and the Trustee, any other registrar or the Corporation may transfer any Note on the direction of the Holder thereof whether named as trustee or otherwise, as though that Person were the beneficial owner thereof.

- e. Except in the case of the Register required to be kept at the Trustee's principal office in the City of Calgary, the Corporation, with the approval of the Trustee, may at any time close any Register upon which the registration of any Note appears and transfer the records thereof to another existing Register or to a new Register and thereafter such Notes shall be deemed to be registered on such existing or new Register, as the case may be.

2.7 Persons Entitled to Payment

- a. The Holder for the time being of any Note shall be entitled to the principal monies and interest evidenced by such Note, free from all equities or rights of set-off or counterclaim between the Corporation and the original or any intermediate Holder thereof and all Persons may act accordingly and a transferee of a Note shall, after an appropriate form of Transfer is lodged with the Trustee or other registrar and upon compliance with all other conditions in that behalf required by this Note Indenture or by any conditions contained in such Note or by law, be entitled to be entered on any of the appropriate Registers as the owner of such Note free from all equities or rights of set-off or counterclaim between the Corporation and his transferor or any previous Holder thereof, save with respect to equities of which such Holder is required to take notice by statute or by order of a court of competent jurisdiction. The Corporation and the Trustee shall deem and treat the registered Holder of any Note certificate as the absolute owner of the Note represented thereby for all purposes and the Corporation and the Trustee shall not be affected by any notice or knowledge to the contrary, save as ordered by a court of competent jurisdiction or as required by statute. Nothing contained in this Section 2.7 shall limit or restrict the entitlement of the Corporation to make payments of interest to such Person as is the Holder on a Record Date with respect to the interest payable on the Interest Payment Date relating thereto.
- b. Delivery to the Trustee by a Holder of a Note or the receipt of such Holder for the principal monies and interest evidenced by such Note, respectively, shall be a good discharge to the Corporation, which shall not be bound to enquire into the title of such Holder, save as ordered by a court of competent jurisdiction or as required by statute.
- c. In the case of the death of one or more joint Holders, the principal monies of and interest on any Notes may be paid to the survivor or survivors of such Holders whose receipt thereof shall constitute a valid discharge to the Trustee, any registrar, the Corporation and any paying agent.

2.8 Mutilation, Loss, Theft or Destruction

In case any of the Notes issued hereunder shall be mutilated, lost, stolen or destroyed, the Corporation, in its discretion, may issue, and thereupon the Trustee shall certify, a new Note upon surrender and cancellation of the mutilated Note, or in the case of a lost, stolen or destroyed Note, in lieu of and in substitution for the same, and the substituted Note shall be in a form approved by the Trustee and shall be entitled to the benefits of this Note Indenture equally with all other Notes issued or to be issued hereunder without preference or priority one over another. In case of loss, theft or destruction, the applicant for a substituted Note shall furnish to the Corporation and the Trustee such evidence of such loss, theft or destruction as shall be satisfactory to them in their discretion and shall also furnish indemnity

satisfactory to them in their discretion. The applicant shall pay all expenses incidental to the issuance of any substituted Note.

2.9 Exchange of Notes

- a. Notes of any denomination may be exchanged for Notes of any other authorized denomination or denominations, any such exchange to be for Notes of an equivalent aggregate principal amount. Any exchange of Notes may be made at the offices of the Trustee or at the offices of any registrar where Registers are maintained for the Notes pursuant to the provisions of Section 2.6. Any Notes tendered for exchange shall be surrendered to the Trustee or appropriate registrar and shall be cancelled.
- b. Except as herein otherwise provided, upon any exchange of Notes of any denomination for other Notes and upon any transfer of Notes, the Trustee or other registrar may make a sufficient charge to reimburse it for any stamp or security transfer taxes or other governmental charge required to be paid and, in addition, a reasonable charge for its services and payment of the said charge shall be made by the party requesting such exchange or transfer as a condition precedent thereto.
- c. Notwithstanding the foregoing provisions of this Section 2.9, no charge shall be made to a Holder thereunder for any exchange or transfer of any Note applied for within a period of 30 days from the date hereof. The Corporation shall pay to the Trustee any reasonable expenses incidental to the exchange or transfer of any Note applied for within such period.

2.10 Transfer

The Notes may be resold, distributed or transferred by the Holder at any time prior to the Maturity Date subject always to any applicable laws and required regulatory approvals, including, without limitation, applicable Securities Laws which restrict the sale and distribution of the Notes, and subject to Section 2.6d. The Trustee shall have no obligation to ensure compliance with any applicable laws and required regulatory approvals on the transfer of distribution of any Notes.

2.11 Option of Holder as to Place of Payment

Except as herein otherwise provided, all sums which may at any time become payable, whether at maturity or on a declaration or otherwise, on account of any Note or any interest shall be payable at the option of the Holder at any of the places at which the principal of and interest on such Note are payable.

2.12 Trustee Not Bound to Make Enquiries

The Trustee, prior to the certification and delivery of any Notes, under any of the provisions of this Article, shall not be bound to make any enquiry or investigation as to the correctness of the matters set out in any of the resolutions, opinions, certificates or other documents required by the provisions of this Note Indenture, but shall be entitled to accept and act upon the said resolutions, opinions, certificates and other documents. The Trustee may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable.

2.13 Share Payment Election

- a. The Corporation may make a Share Payment Election on the Notes with respect to its obligation to pay any interest, Redemption Price or Maturity Amount on such Notes (each a "**Share Payment Amount**"). In connection with a Share Payment Election, the Trustee shall:
 - i. accept delivery of Shares plus cash in an amount equal to the value of any fractional Share;
 - ii. accept bids with respect to, and consummate sales of, such Shares, each as the Corporation shall direct in its absolute discretion;
 - iii. at the direction of the Corporation and subject to Section 2.13e invest the proceeds of such sales (together with any cash received from the Corporation in respect of any fractional Share) in short-term Qualified Obligations specified by the Corporation which mature prior to the applicable Payment Date and in accordance with Section 2.13e, and use the proceeds from the short-term Qualified Obligations to pay such Share Payment Amount; and
 - iv. perform any other action necessarily incidental thereto.
- b. The Corporation shall make a Share Payment Election by delivering a Share Election Notice to the Trustee delivered not later than the earlier of:
 - i. the date required by applicable law or the rules of any stock exchange on which the Notes are then listed; or
 - ii. 15 days prior to the Payment Date to which the Share Payment Election relates.

The Trustee shall, in accordance with the Share Election Notice, deliver Share Bid Requests to investment banks, brokers or dealers selected by the Corporation in the Share Election Notice. The Share Election Notice shall provide for, and all such bids shall be subject to, the right of the Corporation, by delivering written notice to the Trustee at any time prior to the consummation of the delivery and sale of the Shares on the Share Delivery Date, to withdraw the Share Payment Election (which shall have the effect of withdrawing the Share Bid Request), whereupon the Corporation shall be obligated to pay in cash the Share Payment Amount on such Payment Date. Any sale of Shares pursuant to this Section 2.13 may be made to one or more Persons whose bids are solicited, but all such sales with respect to a particular Share Payment Election shall take place concurrently on the Share Delivery Date.

- c. The Trustee shall inform the Corporation promptly following receipt of any bid or bids for Shares. The Trustee shall accept such bid or bids as the Corporation (in its absolute discretion) shall direct, *provided* that the aggregate proceeds of all such sales on the Share Delivery Date must at least equal the Share Election Amount. In connection with any bids so accepted, the Corporation, the Trustee and the applicable bidders shall, not later than the Share Delivery Date, enter into a Share Purchase Agreement and shall comply with all applicable laws, including the securities laws of Canada (including those of any province), the rules and regulations of any stock exchange on which the Shares

are then listed and the rules and regulations of any jurisdiction in which the Shares may be offered for sale. The Corporation shall pay all reasonable fees and expenses of the Trustee in connection with the Share Purchase Agreements. The Holders shall not be required to pay any fees or expenses in connection with the Share Purchase Agreements.

- d. Provided that (i) all conditions specified in each Share Purchase Agreement to the closing of all sales thereunder have been satisfied, other than the delivery of the Shares to be sold thereunder against payment of the Share Election Amount, and (ii) the purchasers under the Share Purchase Agreements shall be ready, willing and able to perform thereunder, in each case on the Share Delivery Date, the Corporation shall deliver to the Trustee the Shares to be sold on such date, cash (to the extent any such Shares would be a fractional Share) and an Officers' Certificate and an opinion of Counsel to the effect that all conditions precedent to such sales, including those set forth in this Indenture and in each Share Purchase Agreement, have been satisfied. Upon such deliveries, the Trustee shall consummate such sales on such Share Delivery Date by the delivery of the Shares to such purchasers against payment to the Trustee in immediately available funds of the purchase price therefor in an aggregate amount equal to the Share Election Amount, whereupon the sole right of a Holder to receive the Share Payment Amount will be to receive cash from the Trustee out of the proceeds of such sale of Shares, plus any amount received by the Trustee from the Corporation attributable to any fractional Share, in full satisfaction of the Corporation's obligation to pay the Share Payment Amount and the Holder will have no further recourse to the Corporation in respect of such Share Payment Amount.
- e. The Trustee shall use the sale proceeds of the Shares (together with any cash received from the Corporation in respect of any fractional Share) to purchase, to the extent the Trustee is able to do so, short-term Qualified Obligations specified by the Corporation which mature prior to the applicable Payment Date, *provided, however*, that to the extent the Trustee is unable for any reason whatsoever to use such sale proceeds to purchase short-term Qualified Obligations on such Share Delivery Date, the Trustee shall deposit such proceeds in the Property Account. The Trustee shall hold such short-term Qualified Obligations under its exclusive control and shall hold such investments (but not income earned thereon) in an irrevocable trust for the benefit of the Holders. One Business Day prior to the applicable Payment Date, the Trustee shall deposit amounts from the proceeds of the short-term Qualified Obligations in the Property Account to bring the balance of the Property Account to the Share Election Amount (plus the value of any fractional Share). On such Payment Date, the Trustee shall apply the funds held in the Property Account to payment of the Share Payment Amount to the Holders of record on the applicable Record Date and shall remit amounts, if any, in respect of income earned on the short-term Qualified Obligations or otherwise in excess of the Share Election Amount (plus the value of any fractional Share) to the Corporation.
- f. The Corporation shall indemnify and hold harmless the Trustee and (on an after-tax basis) the Holders and any Person who controls any Holder within the meaning of any applicable securities laws, from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred by any such Person in connection with defending or investigating any such action or claim) caused by or arising in connection with any Share Payment Election or any withdrawal thereof, except in each case for any such losses, claims, damages or

liabilities caused by any such person's negligence or wilful misconduct. If the indemnification provided for in this paragraph shall be unavailable to an indemnified person or insufficient in respect of any losses, claims, damages or liabilities referred to, then the Corporation shall contribute to the amount paid or payable by such indemnified person as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the Corporation and such indemnified person and any other equitable considerations.

- g. Neither the Corporation's making of a Share Payment Election nor the consummation of nor the failure to consummate sales of Shares on the Share Delivery Date will:
 - i. result in the Holders not being entitled to receive on the applicable Payment Date cash in an aggregate amount equal to the Share Payment Amount payable on such Payment Date, as the case may be; or
 - ii. entitle such Holders to receive any Shares in satisfaction of the Corporation's obligation to pay such Share Payment Amount.

2.14 Right to Purchase

Except as provided in Article 3, the Corporation may purchase Notes in the market or by tender or by private contract at such price or prices and upon such terms and conditions as the Corporation may in its absolute discretion determine. All Notes so purchased shall be delivered to the Trustee and cancelled and no Notes shall be issued in substitution therefor.

2.15 Non-Retractable

Subject to the provisions contained herein, the Holders of the Notes shall have no right to obligate the Corporation to repurchase the Notes prior to the Maturity Date.

ARTICLE 3 SUBORDINATION OF NOTES

3.1 Subordination

The Corporation covenants and agrees, and each Holder of a Note, by such Holder's acceptance thereof, likewise covenants and agrees, that the payment of the Obligations in respect of (including principal of, any interest on, and all other indebtedness, obligations and liabilities evidenced by) each and all of the Notes and all other Obligations of the Corporation hereunder (other than ordinary and regularly scheduled fees and out-of-pocket expenses of the Trustee) shall be and is hereby expressly subordinated, to the extent and in the manner hereinafter set forth, in right of payment to the prior indefeasible payment in full and in cash of all Senior Indebtedness now outstanding or hereafter incurred and whether or not such subordination is specifically evidenced by a subordination agreement entered into by the Trustee on behalf of the Holders; provided that the Corporation shall not be precluded hereby from paying regularly scheduled interest on the Notes, from paying a Share Payment Amount on a Payment Date, from paying the Maturity Amount on the Maturity Date, from paying the Redemption Price on a Redemption Date or from purchasing Notes in the market as long as at the relevant Interest Payment Date, Payment Date, Redemption Date, Maturity Date or

purchase date, as applicable, and immediately after the making of such payment or purchase, no Senior Indebtedness Default has occurred and is continuing. In the event that, notwithstanding the foregoing, and provided the Trustee has received actual notice thereof, including pursuant to Section 3.7, then until all related Senior Indebtedness Defaults have been cured or waived (as evidenced by a certificate of the holder or Senior Indebtedness or an agent or trustee thereof) if any payment or distribution of assets of the Corporation of any kind or character, whether in cash, property or securities, is received by the Trustee or the Holders during the continuance of a Senior Indebtedness Default and before all Senior Indebtedness is indefeasibly paid in full and in cash, such payment or distribution will be held in trust for the benefit of and will be paid over to the holders of such Senior Indebtedness or their agent or other representative or to the trustee under any indenture under which any instruments evidencing any of such Senior Indebtedness may have been issued, as their respective interests may appear, for application to the payment of all Senior Indebtedness remaining unpaid until (taking into account any concurrent payment or distribution to the holders of such Senior Indebtedness) all such Senior Indebtedness has been paid indefeasibly in full and in cash. The provisions of this Article 3 are intended to be enforceable directly by each Person from time to time entitled to enforce any Senior Indebtedness. The Corporation hereby declares itself to hold the benefits of this Article 3 in trust for each Person entitled to enforce any Senior Indebtedness from time to time and will do and execute all such documents and things as may be necessary to enable any such Person to enforce the provisions of this Article 3.

3.2 Distribution on Creditor Proceedings

- a. In the event of any Creditor Proceedings:
 - i. the holders of all Senior Indebtedness will be entitled to receive payment in full of the principal thereof, premium (if any), interest due thereon and all other indebtedness, obligations and liabilities relating thereto or comprising Senior Indebtedness before the Holders of Notes will be entitled to receive any payment upon or in respect of the Notes or distribution of any kind or character, in cash, property or securities, that may be payable or deliverable in any such event in respect of any of the Notes;
 - ii. any payment or distribution of assets of the Corporation of any kind or character, whether in cash, property or securities, to which the Holders of Notes or the Trustee would be entitled, except for the provisions of this Article, will be paid by the liquidating trustee or agent or other person making such payment or distribution, whether a trustee in bankruptcy, a receiver or liquidating trustee or otherwise, directly to the holders of Senior Indebtedness or their agent or other representative or to the trustee under any indenture under which any instruments evidencing any of such Senior Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to indefeasibly pay in full and in cash all Senior Indebtedness remaining unpaid after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness; and
 - iii. in the event that, notwithstanding the foregoing, any payment or distribution of assets of the Corporation of any kind or character in any such Creditor Proceeding, whether in cash, property or securities is received by the Trustee or

the Holders before all Senior Indebtedness is indefeasibly paid in full and in cash, such payment or distribution will be held in trust for the benefit of and will be paid over to the holders of Senior Indebtedness or their agent or other representative or to the trustee under any indenture under which any instruments evidencing any of such Senior Indebtedness may have been issued, as their respective interests may appear, for application to the payment of all Senior Indebtedness remaining unpaid until (taking into account any concurrent payment or distribution to the holders of Senior Indebtedness) all such Senior Indebtedness has been indefeasibly paid in full and in cash after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness.

- b. Upon any distribution of assets of the Corporation in any Creditor Proceedings, the Trustee and the Holders of Notes will be entitled to rely upon a Certificate of the liquidating trustee or agent or other person making any distribution to the Trustee or to the Holders of the Notes for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of Senior Indebtedness and other indebtedness, obligations and liabilities of the Corporation, the amount thereof or payable thereon, the amount paid or distributed thereon and all other facts pertinent thereto or to this Article.
- c. Subject to and upon final and indefeasible payment in full and in cash of all Senior Indebtedness, the holders of the Notes shall be subrogated to the rights of the holders of Senior Indebtedness to receive payment or distributions of assets of the Corporation applicable to the Senior Indebtedness to the extent of the prior application thereto of cash, property or securities of the Corporation which would have been payable or distributable to the Holders but for the provisions of this Article 3 until the principal and interest on the Notes and all other Obligations hereunder shall be paid in full, and no such payments or distributions of assets to the holders of Senior Indebtedness, whether in cash, property or securities, which would have been payable or distributable to the Holders but for the provisions of this Article 3 shall for the purposes of such subrogation, as between the Corporation and its creditors other than the holders of Senior Indebtedness, on the one hand, and the Holders, on the other hand, be deemed to be a payment or distribution of assets by the Corporation to or for the account of the holders of Senior Indebtedness, it being understood that the provisions of this Article 3 are, and are intended, solely for the purposes of defining the relative rights of the Holders, on the one hand, and of the holders of Senior Indebtedness, on the other hand.

3.3 No Payment to Noteholders In Certain Events

- a. Upon the maturity of any Senior Indebtedness for any reason, including by lapse of time, acceleration or otherwise, all Obligations (including principal of, premium (if any) and interest on, and all other indebtedness, obligations and liabilities) in respect of all such matured Senior Indebtedness will first be indefeasibly paid in full and in cash before any payment on account of the Notes (whether principal, interest or otherwise) is made.
- b. Upon the happening of a Senior Indebtedness Default, no payment (by purchase of Notes or otherwise) will be made by the Corporation with respect to the principal of, any interest on or other amount owing under the Notes unless the Senior Indebtedness

Default has been cured or waived as evidenced by a certificate of the holder of Senior Indebtedness or an agent or trustee therefor.

- c. Notwithstanding that any payment hereunder, otherwise due as payment of interest for a calendar quarter on any quarterly Interest Payment Date, is prohibited by this Section, the failure to make such payment shall nevertheless constitute a Default for the purposes of Section 5.1a in the payment of one of the four regularly scheduled quarterly Interest Payment Dates referred to therein.

3.4 Payment of Notes Permitted

If the Trustee has not received written notice from or on behalf of any holder of any Senior Indebtedness or any agent or trustee therefor, notifying the Trustee of any facts that would result in the making of any payment with respect to Notes a contravention of the provisions of this Article 3, then the Trustee will be entitled to assume that payments accruing hereunder may be made, and that no such facts exist and the Trustee may apply any money that may be received by the Trustee at such time pursuant to any provisions of this Note Indenture to the purposes for which the same were so received.

3.5 Subordination not to be Impaired

- a. The subordination provided in this Article 3, shall apply in all events and circumstances and notwithstanding any Creditor Proceedings.
- b. No right of any present or future holder of any Senior Indebtedness of the Corporation to enforce the subordination as herein provided will at any time in any way be prejudiced or impaired by any action taken in good faith or failure to act in good faith, by any such holder, or by any noncompliance by the Corporation with the terms, provisions and covenants of this Note Indenture, regardless of any knowledge thereof which any such holder may have or be otherwise charged.

3.6 Notice of Default under Senior Indebtedness

The Corporation shall give the Trustee prompt written notice of the happening of any Senior Indebtedness Default, and prompt written notice of any cure or withdrawal thereof.

3.7 Inapplicability in Certain Circumstances

The provisions of this Article 3 shall not be applicable to any cash, properties or securities received by the Trustee or the holder of any Note as a holder of Senior Indebtedness or a trustee or agent for any such holder.

3.8 No Impairment Between Corporation and Holder

Nothing herein shall impair, as between the Corporation and the Holder of any Note, the obligation of the Corporation, which is unconditional and absolute, to pay the Holder the principal and interest thereon in accordance with its terms, nor shall anything therein or herein prevent the Trustee or the Holder of any Note from exercising all the remedies otherwise permitted by applicable law or hereunder upon the occurrence of any Event of Default hereunder, subject to the rights under this Article 3 of holders of Senior Indebtedness to receive

cash, property or securities otherwise payable or deliverable to the Trustee or the Holders of the Notes, and subject to the provisions of Section 3.9.

3.9 Procedural Matters - General

So long as any Senior Indebtedness is outstanding and until the earlier of (i) the date on which all Senior Indebtedness shall have been finally and indefeasibly paid and satisfied in full and in cash and (ii) 18 months after the occurrence of an Event of Default hereunder in respect of which notice has been given to the holders of Senior Indebtedness:

- a. neither the Trustee nor any Holder (each, a "**Subordinated Creditor**") shall commence or initiate any action, step or proceeding to recover or receive any payment of any of the Obligations for principal, interest or other amounts accruing hereunder or to exercise any material remedy available to it;
- b. the Subordinated Creditors will not request, accept or hold any guarantee, mortgage, charge, pledge, security interest or other assurance from the Corporation or any other Person in connection with the Notes or this Note Indenture;
- c. the Subordinated Creditors will not take any steps, actions or proceedings to accelerate the due date for payment of any Obligations for principal, interest or other amounts accruing hereunder or to take any steps, actions or proceedings, including, without limitation, by way of set off, counterclaim or otherwise, for the collection, payment or satisfaction of any Obligations for principal, interest or other amounts accruing hereunder; provided that, prior to the occurrence of a default or event of default under or in respect of the instrument or document creating or evidencing the Senior Indebtedness, and subject to the terms thereof, the Corporation may make, and the Subordinated Creditors may receive and distribute, payments not prohibited by Section 3.1;
- d. the Subordinated Creditors will not commence or initiate any step, action or proceeding to challenge the validity or enforceability of the Senior Indebtedness or the Senior Indebtedness Documents, the enforcement of any right or remedy pursuant thereto or any act or omission of the holders of the Senior Indebtedness;
- e. the Subordinated Creditors will not petition the Corporation into bankruptcy or initiate, support or give evidence in support of, a petition or any other Creditor Proceedings; and
- f. the Subordinated Creditors will not impede, interfere with, hinder or delay any steps, actions or proceedings which may be taken by the holders of the Senior Indebtedness or their receivers or agents or trustees for the enforcement of rights or remedies pursuant to the Senior Indebtedness Documents, or at law or in equity or for the collection of the Senior Indebtedness;

provided that nothing herein shall (i) prevent an automatic acceleration of the Obligations pursuant to Section 5.2 as a result of an Event of Default specified in Sections 5.1f through 5.1h; nor (ii) prevent the Subordinated Creditors from filing such claims, proofs of claim, proofs of debt or other documents, or causing the Trustee to do so, in any Creditor Proceedings for the purpose of ensuring that the Obligations for principal, interest or other amounts hereunder are included as debts and Obligations of the Corporation in such Creditor Proceedings.

3.10 Procedural Matters - Classification

Notwithstanding anything to the contrary herein or by applicable law provided, in the event of any classification of creditors of the Corporation on the commencement of or during any Creditor Proceedings, the Obligations and liabilities hereunder or represented by the Notes shall not, whether for purposes of voting or other procedural matters or distribution, be classified with any Senior Indebtedness, and in the event that, contrary to the provisions hereof, in any Creditor Proceedings the Obligations and liabilities hereunder or represented by the Notes shall be classified with any Senior Indebtedness for purposes of voting, then the holders of or Persons entitled to enforce the Senior Indebtedness shall be entitled to direct the manner in which the votes associated with the Notes shall be cast and in the event of disagreement as to the manner in which such votes shall be cast, then the holders of Senior Indebtedness shall, if permitted in the relevant Creditor Proceeding, be entitled to direct the manner in which the votes associated with the Notes shall be cast *pro rata* to the principal amount of Senior Indebtedness owed to them, respectively. If such *pro rata* apportionment of votes is not permitted in the relevant Creditor Proceeding, then the votes associated with the Notes shall be cast as directed by a majority of the principal amount of Senior Indebtedness. For these purposes, "voting" includes any manner of expressing assent or dissent, including voting at a meeting in person or by proxy, written resolution or consent instrument or otherwise.

ARTICLE 4 COVENANTS OF THE CORPORATION

4.1 Positive Covenants

The Corporation hereby covenants and agrees with the Trustee for the benefit of the Trustee and the Holders that so long as any Notes remain outstanding it will:

- a. duly and punctually pay and cause to be paid to the Holders (either directly or through the Trustee or an agent of the Trustee) the principal of and any interest accrued under the Notes at the dates and places, in the currency and in the manner prescribed herein, subject to the Share Payment Election, on the date due and for such purpose, where payment is made through the Trustee or an agent of the Trustee, put the Trustee in funds adequate to effect such payments no later than 10:00 a.m. (Calgary time) on the date due or three (3) days prior thereto where the Trustee is required to mail a cheque;
- b. maintain its corporate existence and carry on and conduct its business in a proper, efficient and business-like manner and in accordance with good business practice and will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and rights;
- c. keep proper books of account in accordance with generally accepted accounting principles;
- d. notify the Trustee immediately upon becoming aware of any Default or Event of Default hereunder;
- e. give to the Trustee notice, including reasonable particulars, of any action, suit or proceeding, to the knowledge of the Corporation, pending against or affecting the Corporation before any court or before any governmental department, commission or

agency or arbitrator in Canada or elsewhere, which would, if adversely determined, reasonably be expected to result in any material adverse change in the business, or the operations, prospects or assets or in the condition, financial or otherwise of the Corporation; and

- f. do, observe and perform or cause to be done, observed or performed all of the material obligations of the Corporation under all material agreements, leases, contracts and indentures and all material matters necessary to be done, observed or performed whether under any law or regulation of Canada, any province thereof, or any foreign country, or any municipality therein, or otherwise, in each case where non-compliance would reasonably be expected to give right to a material adverse effect on the business or financial condition of the Corporation.

4.2 Trustee May Perform Covenants

If the Corporation fails to perform any covenant on its part herein contained, the Trustee may in its discretion, but (subject to Section 5.8) need not, notify the Holders of such failure or may but need not perform any of said covenants capable of being performed by it and, if any such covenant requires the payment or expenditure of money, it may but need not make such payment or expenditure with its own funds, or with money borrowed by or advanced to it for such purposes, but shall be under no obligation to do so and all sums so expended or advanced shall be repayable by the Corporation in the manner provided in Section 4.3, but no such performance or payment by the Trustee shall be deemed to relieve the Corporation from default hereunder.

4.3 Pay Trustee's Remuneration

The Corporation will, from time to time, pay the Trustee's reasonable remuneration for its services hereunder together with all costs incurred by the Trustee pursuant to Section 9.7 and will repay to the Trustee on demand all monies which shall have been paid by the Trustee in and about the execution of the trusts hereby created including, without limitation, reasonable legal fees and expenses and all costs incurred by the Trustee in complying with any laws applicable to it as a result of its duties as Trustee hereunder, with interest at a rate which is charged from time to time by the corporate trust department of the Trustee, from 30 days after the date of receipt of the invoice from the Trustee to the Corporation with respect to such expenditure until repayment, and such monies and the interest thereon, including the Trustee's remuneration, shall be payable out of any funds coming into the possession of the Trustee in priority to any payment in respect of any of the Notes or interest thereon. The said remuneration shall continue to be payable until the trusts hereof shall be finally wound up and whether or not the trusts of this Note Indenture shall be in the course of administration by or under the direction of the court.

4.4 Certificates Relating to Default

The Corporation will, annually within 140 days after the end of its fiscal year and at any other reasonable time if requested by the Trustee, deliver to the Trustee a Certificate of the Corporation stating that the Corporation has complied with all covenants, conditions or other requirements contained in this Note Indenture or, if such is not the case, specifying the covenant, condition or other requirement which has not been complied with and the particulars of each such Default, the period of existence thereof and the action which the Corporation is

taking or proposes to take with respect thereto; provided, that, if at any time the Corporation is required by any legislation which, in the opinion of Counsel, is applicable to this Note Indenture, to furnish the Trustee periodic certificates or reports with respect to compliance by the Corporation with the provisions of this Note Indenture, the Corporation shall also furnish such periodic certificates or reports in addition to the aforementioned Certificate of the Corporation.

ARTICLE 5 DEFAULT

5.1 Events of Default

It shall be an Event of Default if:

- a. on any date the Corporation is in default of payment of, in cash or pursuant to any Share Payment Election, and there remains outstanding on such date, any accrued and unpaid interest due on the Notes in respect of four regularly scheduled quarterly Interest Payment Dates and the Corporation has failed to pay all such accrued interest (and interest thereon at the rate set out in Section 2.1c) in full within 60 days of the last of such Interest Payment Dates;
- b. the Corporation fails to pay the principal on any Notes in cash or pursuant to the Share Payment Election, at Maturity;
- c. the Corporation defaults in the observance or performance of any covenant or agreement contained in this Note Indenture (other than a default in the performance or a breach of a covenant or an agreement which is specifically dealt with elsewhere in this Section 5.1) which default continues for a period of 90 days after the Corporation receives written notice specifying the default (and demanding that such default be remedied) from the Trustee or the Holders of at least 25% of the outstanding principal amount of the Notes;
- d. the Corporation:
 - i. defaults in the payment of any principal of or interest or premium on any indebtedness for borrowed money ("**Borrowed Funds**") (other than the Notes) and such default continues after any applicable grace period; or
 - ii. fails to perform any other covenant applicable to any Borrowed Funds (other than the Notes) with the result that the maturity of such Borrowed Funds is accelerated, unless such acceleration is being disputed in good faith or an attempt is being made in good faith to cure the failure, and provided that such acceleration in any event is rescinded within a period of 30 days;

and the aggregate of all such sums not paid, not honoured or accelerated is in excess of \$10,000,000 unless, in the case of (i) above, such payment is made or honoured or default is waived, and any acceleration is rescinded before the acceleration of the Notes and, in the case of (ii) above, any such acceleration, if not rescinded within such 30 day period, is rescinded prior to the acceleration of the Notes;

- e. a secured party or an encumbrancer enforcing its security interests, or an unsecured creditor enforcing a judgment, shall take possession of the property of the Corporation or any part thereof which is, in the opinion of the Trustee (provided that the Trustee in forming such opinion may rely upon the opinion or advice obtained by the Trustee pursuant to Section 9.7 hereof), a substantial and material part of the property of the Corporation, taken as a whole, and such Person remains in possession for a period equal to the lesser of 30 days and such period as would permit all of such property of the Corporation or such material and substantial part thereof to be sold thereunder;
- f. a decree or order of a court having jurisdiction is entered:
 - i. adjudging the Corporation a bankrupt or insolvent under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 30 days; or
 - ii. issuing sequestration or process of execution against, a substantial and material part of the property of the Corporation, or appointing a receiver of, or of any substantial and material part of the property of, the Corporation and any such decree or order continues unstayed and in effect for a period of 30 days;
- g. a resolution is passed for the winding-up or liquidation of the Corporation or if the Corporation institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of, the Corporation or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due; or
- h. any proceedings concerning the Corporation are taken with respect to a proposal under the *Bankruptcy and Insolvency Act* (Canada) (or any act substituted therefor) or a compromise or arrangement under the *Companies' Creditors Arrangement Act* (Canada) (or any act substituted therefor) or similar legislation of any other jurisdiction and, if taken by a Person other than the Corporation, are not being contested in good faith by the Corporation by appropriate proceedings promptly instituted and diligently conducted.

5.2 Acceleration of Maturity

Upon the occurrence of an Event of Default (other than an Event of Default specified in Sections 5.1f through to 5.1h), the Trustee may in its discretion and shall upon receipt of a request by the Holders of not less than 25% of the principal amount of the outstanding Notes, by notice in writing to the Corporation, declare the principal of and interest on all Notes then outstanding and all other monies outstanding thereunder to be due and payable and the same shall forthwith become immediately due and payable to the Trustee, anything therein or herein to the contrary notwithstanding, and the Corporation shall forthwith pay to the Trustee for the benefit of the Holders such principal, accrued and unpaid interest, and all other monies outstanding thereunder. If an Event of Default specified in Sections 5.1f through to 5.1h occurs and is continuing, then the principal of and interest on all Notes then

outstanding and all other monies outstanding thereunder shall forthwith become immediately due and payable to the Trustee, without any declaration or other act on the part of the Trustee or any other Holder. Such payment when made shall be deemed to have been made in discharge of the Corporation's obligations under the Notes and any monies so received by the Trustee shall be applied in the manner provided in Section 5.13.

5.3 Remedies

Whenever an Event of Default has occurred, but subject to Article 3 hereof, the Holders of the majority in principal amount of the Notes outstanding may, by Noteholders' Request, cause the Trustee to proceed to enforce their rights by any action, suit, remedy or proceeding authorized or permitted by law or by equity and to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have their claims lodged in any winding-up or other proceedings relative to the Corporation.

5.4 Remedies not Exclusive

No remedy for the enforcement of rights of the Holders under this Article 5 shall be exclusive of or dependent on any other such remedy but any one or more of such remedies may from time to time be exercised independently or in combination.

5.5 Costs

The Corporation shall be liable to the Trustee for all costs incurred by the Trustee in connection with the enforcement of rights under this Note Indenture together with interest thereon, at a rate which is charged from time to time by the corporate trust department of the Trustee, from 30 days after the date of receipt by the Corporation of the invoice from the Trustee to with respect to such costs, until the date payment thereof is received by the Trustee.

5.6 Delay

No delay or omission of the Trustee or any Holder to exercise any remedy shall impair any such remedy or be construed to be a waiver of default hereunder or acquiescence therein.

5.7 No Recourse Against Other Parties

Neither the Trustee nor the Holders shall have any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future incorporator, shareholder, director or officer of the Corporation for the payment of the principal or interest under any or all of the Notes or on any covenant, agreement, representation or warranty of the Corporation contained herein or in the Notes.

5.8 Notice of Events of Default

If an Event of Default shall occur and be continuing, the Trustee shall, within 30 days after it becomes aware of the occurrence of such Event of Default, give notice of such Event of Default to the Holders in the manner provided in Section 8.1; provided that, notwithstanding the foregoing, unless the Trustee shall have been requested to do so by a Noteholders' Request, the Trustee shall not be required to give such notice if the Trustee in

good faith shall have determined that the withholding of such notice is in the best interests of the Holders and shall have so advised the Corporation in writing.

5.9 Waiver of Default

Upon the happening of any Event of Default hereunder:

- a. the Holders shall have the power (in addition to the powers exercisable by Extraordinary Resolution as hereinafter provided) by Extraordinary Resolution to instruct the Trustee to waive any Event of Default and rescind and cancel such declaration of acceleration made pursuant to Section 5.2 hereof, and the Trustee shall thereupon waive the Event of Default on such terms and conditions as shall be prescribed in such requisition provided:
 - i. the rescission would not conflict with any judgment or decree;
 - ii. all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration;
 - iii. to the extent the payment of such interest is lawful and payment thereof is not prohibited by Article 3 hereof, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid;
 - iv. the Corporation has paid the Trustee its reasonable compensation and reimbursed the Trustee for its expenses, disbursements and advances; and
 - v. in the event of the cure or waiver of an Event of Default of the type described in Section 5.1f through to 5.1h, the Trustee shall have received an officers' certificate and an opinion of Counsel that such Event of Default has been cured; and
- b. the Trustee, so long as it has not become bound to declare the principal and interest on the Notes outstanding to be due and payable, or to obtain or enforce payment of the same, shall have the power to waive any Event of Default if, in the Trustee's reasonable opinion, the same shall have been cured or adequate satisfaction made therefor, and in such event to cancel any such declaration theretofore made by the Trustee in the exercise of its discretion, upon such terms and conditions as the Trustee may deem advisable;

provided that no act or omission either of the Trustee or of the Holders shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

5.10 Certificate re Default

In addition to Section 9.5d, the Corporation shall provide a Certificate of the Corporation to the Trustee promptly upon any such officer obtaining knowledge of any Event of Default that has occurred and, if applicable, describing such Event of Default and the status thereof. 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 unless and until it shall have been required so to do under the terms hereof; nor shall the Trustee be required to take notice of any Event of Default hereunder, unless and until notified in writing of such Event of Default, which notice shall distinctly specify the Event of Default desired to be brought to the attention of the Trustee and in the absence of any such notice the Trustee may for all purposes of this Indenture conclusively assume that no Event of Default has been made in the observance or performance of any of the representations, warranties, covenants, agreements or conditions contained herein. Any such notice shall in no way limit any discretion given to the Trustee to determine whether or not the Trustee shall take any action with respect to any Event of Default.

5.11 Enforcement by the Trustee

- a. Subject to the provisions of Section 5.9 and to the provisions of any Extraordinary Resolution that may be passed by the Holders, in the event the Corporation shall fail to pay to the Trustee, forthwith after the same shall have been declared to be due and payable under Section 5.2, the principal and interest on all Notes outstanding, together with any other amounts due hereunder, the Trustee may, in its discretion and shall upon receipt of a Noteholders' Request, and upon being indemnified and funded to its reasonable satisfaction against all costs, expenses and liabilities to be incurred, but subject to Article 3, proceed in its name as Trustee hereunder to obtain or enforce payment of the principal and interest on all Notes then outstanding together with any other amounts due thereunder, by such proceedings authorized by this Note Indenture or by law or equity as the Trustee in such request shall have been directed to take, or if such request contains no such direction, or if the Trustee shall act without such request, then by such proceedings authorized by this Note Indenture or by suit at law or in equity as the Trustee shall deem expedient.
- b. The Trustee shall be entitled and empowered, either in its own name or as trustee of an express trust, or as attorney-in-fact for the Holders, or in any one or more of such capacities, but subject to Article 3, to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Trustee and of the Holders allowed in any Creditor Proceedings. The Trustee is hereby irrevocably appointed (and the successive respective Holders by taking and holding Notes shall be conclusively deemed to have so appointed the Trustee) the true and lawful attorney-in-fact of the respective Holders with authority to make and file in the respective names of the Holders or on behalf of the Holders as a class, subject to deduction from any such claims of the amounts of any claims filed by any of the Holders themselves, any proof of debt, amendment of proof of debt, claim, petition or other document in any Creditor Proceedings and to receive payment of any sums becoming distributable on account thereof, and to execute any such acts and things for and on behalf of such Holders as may be necessary or advisable in the opinion of the Trustee, in order to have the respective claims of the Trustee and of the Holders against the Corporation or its property allowed in any such proceeding, and to receive payment of or on account of such claims, provided, however, that (i) nothing contained in this Note Indenture shall be deemed to give to the Trustee, unless so authorized by Extraordinary Resolution, any right to accept or consent to any plan of reorganization or otherwise by action of any character in such proceeding to waive or change in any way any right of the Holder and (ii) all such rights shall be subject to Article 3.

- c. The Trustee shall also have power at any time and from time to time, but subject to Article 3, to institute and to maintain such suits and proceedings as it may be advised shall be necessary or advisable to preserve and protect its interest and the interests of the Holders.
- d. All rights of action hereunder may be enforced, subject to Article 3, by the Trustee without the possession of any of the Notes or the production thereof in the trial or other proceedings relative thereto. Any such suit or proceeding instituted by the Trustee shall be brought in the name of the Trustee as trustee of an express trust, and any recovery of judgment shall be for the ratable benefit of the Holders subject to the provisions of this Note Indenture. In any proceeding brought by the Trustee (and also any proceeding in which a declaratory judgment of a court may be sought as to the interpretation or construction of any provision of this Note Indenture, to which the Trustee shall be a party) the Trustee shall be held to represent all of the Holders, and it shall not be necessary to make any Holders party to any such proceeding.

5.12 No Suits by Holders

No Holder of any Note shall have any right to institute any action, suit or proceeding at law or in equity for the purposes of enforcing payment of the principal or interest on the Notes or for the execution of any trust or power hereunder or for the appointment of a liquidator or receiver or for a receiving order under the *Bankruptcy and Insolvency Act* (Canada) or to have the Corporation wound up or to file or prove a claim in any liquidation or bankruptcy proceeding or for any other remedy hereunder, unless: (i) such Holder shall previously have given to the Trustee written notice of the happening of an Event of Default hereunder; (ii) the Holders by Noteholders' Request shall have made a request to the Trustee and the Trustee shall have been afforded reasonable opportunity either itself to proceed to exercise the powers hereinbefore granted or to institute an action, suit or proceeding in its name for such purpose; (iii) the Holders or any of them shall have furnished to the Trustee, when so requested by the Trustee, sufficient funds or security therefor and an indemnity satisfactory to the Trustee to cover the costs, expenses and liabilities to be incurred therein or thereby; (iv) the Trustee shall have failed to act within a reasonable time of receipt of such notification, request and offer of indemnity 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 any such proceedings; and (v) the bringing of such action, suit or proceeding would not be contrary to Article 3.

5.13 Application of Monies by Trustee

Except as herein otherwise expressly provided, any money received by the Trustee from the Corporation pursuant to the foregoing provisions of this Article 5, or as a result of legal or other proceedings or from any trustee in bankruptcy or liquidator of the Corporation, shall be applied, together with any other monies in the hands of the Trustee available for such purpose as follows:

- a. first, in payment or in reimbursement of the Trustee of its compensation, costs, charges, expenses, borrowings, advances or other monies furnished or provided by or at the instance of the Trustee in or about the execution of its trusts under, or otherwise in lawful relation to, this Note Indenture, with interest thereon as herein provided;

- b. second, but subject as hereinafter in this Section 5.13 provided, in payment, ratably and proportionately, to the Holders on account of accrued and unpaid interest and interest on amounts in default; and thereafter, on account of principal; unless otherwise directed by Extraordinary Resolution and in that case in such order or priority as between principal and interest as may be directed by such resolution;
- c. third, in payment of the surplus, if any, of such monies to the Corporation or its assigns;

provided, however, that no payment shall be made pursuant to Section 5.13b above contrary to Article 3 or with respect to the principal or interest or any Note held, directly or indirectly, by or for the benefit of the Corporation or any Subsidiary of the Corporation (other than any Note pledged for value and in good faith to a Person other than the Corporation or any Subsidiary of the Corporation but only to the extent of such Person's interest therein) except subject to the prior payment in full of the principal and interest of all Notes which are not so held.

5.14 Distribution of Proceeds

Payments to Holders of Notes pursuant to Section 5.13b shall be made as follows:

- a. at least 15 days' notice of every such payment shall be given in the manner provided in Section 8.1 specifying the time when and the place or places where the Notes are to be presented and the amount of the payment and the application thereof as between principal and interest;
- b. payment of any Note shall be made upon presentation thereof at any one of the places specified in such notice and any such Note thereby paid in full shall be surrendered, otherwise a memorandum of such payment shall be endorsed thereon; but the Trustee may in its discretion dispense with presentation and surrender or endorsement in any special case upon such indemnity being given to it as it shall deem sufficient;
- c. from and after the date of payment specified in the notice, interest shall accrue only on the amount owing on each Note after giving credit for the amount of the payment specified in such notice; and
- d. the Trustee shall not be bound to apply or make any partial or interim payment of any monies coming into its hands if the amount so received by it, after reserving therefrom such amount as the Trustee may think necessary to provide for the payments mentioned in Section 5.13a, would not be sufficient for such purpose, but it may retain the money so received by it and invest or deposit the same as in accordance with Section 9.9 until the money or the investments representing the same, with the income derived therefrom, together with any other monies for the time being under its control shall be sufficient for the said purpose or until it shall consider it advisable to apply the same in the manner hereinbefore set forth. The foregoing shall not apply to a final payment or distribution hereunder.

5.15 Judgment Against the Corporation

The Corporation covenants and agrees with the Trustee that, in the case of any judicial or other proceedings to enforce the rights of the Holders, but subject to Article 3,

judgment may be rendered against it in favour of the Holders or in favour of the Trustee, as trustee for the Holders, for any amount which may be proved to remain due with respect to the Notes and the interest thereon and any other monies owing hereunder.

ARTICLE 6

SATISFACTION, DISCHARGE AND REDEMPTION

6.1 Payment of Principal Amount

- a. Subject to Article 3, a Share Payment Election and the provisions of this Section 6.1, the principal amount due upon Maturity of any Note outstanding shall be paid in cash by the Corporation to the Trustee on the Maturity Date for payment to the Holder upon presentation and surrender of the Note by the Holder to the Trustee at the principal office of the Trustee in the City of Calgary.
- b. Upon payment or satisfaction of the principal amount together with any accrued and unpaid interest of any Note, such Note shall be cancelled by the Trustee.

6.2 Non-Presentation of Notes

In the event the Holder of any Note shall fail to surrender the same on Maturity or shall not accept payment of the monies payable with respect thereto or give such receipt therefor, if any, as the Trustee may require, such monies shall be set aside by the Trustee in trust for such Holder, and no interest shall be payable to such Holder and such setting aside shall for all purposes be deemed a payment to the Holder of the sum so set aside, and to that extent such Note shall thereafter not be considered as outstanding hereunder and the Holder shall have no right except to receive payment out of the monies so set aside upon surrender and delivery up of such Note.

6.3 Repayment of Unclaimed Monies

Any monies set aside under Section 6.2 and not claimed by and paid or delivered to Holders as provided in Section 6.2 within six (6) years after the date of such setting aside shall be repaid or returned to the Corporation by the Trustee on demand and thereupon the Trustee shall be released from all further liability with respect to such monies and thereafter the Holders with respect to which such monies were so repaid to the Corporation shall have no rights with respect thereto except to obtain payment or delivery of the monies due thereon from the Corporation up to such time as the right to proceed against the Corporation for recovery of such monies has become statute barred under the laws of the Province of Alberta.

6.4 Optional Redemption by Corporation

- a. The Corporation may redeem Notes at its option, in whole or in part, at any time and from time to time, on or after June 30, 2004 at the Redemption Price, subject to the Share Payment Election.
- b. If the Notes are only partially redeemed, the Notes will be redeemed *pro rata* or by lot or by any other method deemed fair and appropriate by the Trustee. If a partial redemption of the Notes would result in the delisting of the Notes from any national securities exchange or other organization on which the Notes are then listed, the

Corporation shall not be permitted to effect such partial redemption and may only redeem the Notes in whole.

- c. Notwithstanding Section 6.4a, upon the occurrence of a Redemption Tax Event, the Corporation shall have the right to redeem the Notes, in whole but not in part, on not less than 30 days, and not more than 60 days, prior written notice to the Holder of such Notes, at the Redemption Price. The Redemption Price is payable in cash or, at the option of the Corporation, by delivery of Shares to the Trustee in accordance with a Share Payment Election.

6.5 No Sinking Fund

The Notes are not entitled to the benefit of any sinking fund.

6.6 Election to Redeem: Notice to Trustee

The election of the Corporation to redeem any Notes shall be evidenced by or pursuant to a Board Resolution. In case of any redemption at the election of the Corporation, the Corporation shall, not less than 30 days prior to the Redemption Date fixed by the Corporation and at least 15 days prior to the notice to Holders pursuant to Section 6.8 (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Notes to be redeemed and shall deliver to the Trustee such documentation and records as shall enable the Trustee to select the Notes to be redeemed pursuant to Section 6.7. Such notice will be irrevocable.

6.7 Selection by Trustee of Notes to be Redeemed

If less than all Notes are to be redeemed, the particular Notes to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the outstanding Notes not previously called for redemption, *pro rata* or by lot or by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of such Notes; *provided, however*, that no such partial redemption shall reduce the portion of the principal amount of a Note not redeemed to less than the minimum authorized denomination for such Notes.

The Trustee shall promptly notify the Corporation in writing of the Notes selected for redemption and, in the case of any Notes selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Notes shall relate, in the case of any Note redeemed or to be redeemed only in part, to the portion of the principal amount of such Note which has been or is to be redeemed.

6.8 Notice of Redemption

Notice of redemption shall be given in the manner provided for in Article 8 not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Notes to be redeemed. All notices of redemption shall state:

- a. the Redemption Date;
- b. the Redemption Price;
- c. if less than all the outstanding Notes are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Notes to be redeemed;
- d. that on the Redemption Date, the Redemption Price (including accrued interest, if any, to the Redemption Date payable as provided in Section 6.10), will become due and payable upon each such Note, or the portion thereof, to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date; and
- e. the place or places where such Notes are to be surrendered for payment of the Redemption Price.

Notice of redemption of Notes to be redeemed at the election of the Corporation shall be given by the Corporation or, at the Corporation's request, by the Trustee in the name and at the expense of the Corporation, and shall be irrevocable.

6.9 Deposit of Redemption Price

If the Corporation has made a Share Payment Election with respect to the Notes to be redeemed, then payment shall be made in accordance with Section 2.13 and Section 6.4. Otherwise, prior to 11:00 a.m. Calgary time, on any Redemption Date, the Corporation shall deposit with the Trustee or with a Paying Agent (or, if the Corporation is acting as its own Paying Agent, segregate and hold in trust) an amount of cash sufficient to pay the Redemption Price of all such Notes which are to be redeemed on that date.

6.10 Securities Payable on Redemption Date

Notice of redemption having been given as aforesaid, the Notes to be so redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified and from and after such date (unless the Corporation shall default in the payment of the Redemption Price) such Notes shall cease to bear interest. Upon surrender of any such Note for redemption in accordance with said notice, such Note shall be paid by the Corporation at the Redemption Price.

If any Note called for redemption or portion thereof shall not be so paid upon surrender thereof for redemption, the principal and accrued and unpaid interest thereon shall, until paid, bear interest from the Redemption Date at the Interest Rate.

6.11 Securities Redeemed in Part

Any Note which is to be redeemed only in part (pursuant to the provisions of this Article) shall be surrendered at the principal office of the Trustee in Calgary, Alberta (with, if the Corporation so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Corporation and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing), and the Corporation shall execute, and the Trustee shall authenticate and deliver to the Holder of such Note, without service charge, a new Note or

Notes, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Note so surrendered.

ARTICLE 7 MEETINGS OF HOLDERS

7.1 Right to Convene Meeting

The Trustee or the Corporation may at any time and from time to time, and the Trustee shall on receipt of a Request of the Corporation or a Noteholders' Request and upon being indemnified and funded to its reasonable satisfaction by the Corporation or by the Holders signing such request against the costs which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Holders. In the event of the Trustee failing within 10 days after receipt of any such request and such indemnity to give notice convening a meeting, the Corporation or such Holders, as the case may be, may convene such meeting. Every such meeting shall be held in the City of Calgary, or at such other place as may be approved or determined by the Trustee.

7.2 Notice of Meetings

At least 21 days' notice of any meeting shall be given to the Holders by the Corporation or the Trustee, as the case may be, in the manner provided in Section 8.1 and a copy thereof shall be sent by courier to the Trustee, unless the meeting has been called by it. Such notice shall state the time at which and place where the meeting is to be held and shall state briefly the general nature of the business to be transacted thereat. The accidental omission to give notice of a meeting to any Holder shall not invalidate any resolution passed at any such meeting.

7.3 Chairman

A Person, who need not be a Holder, nominated in writing by the Trustee shall be chairman of the meeting and if no Person is so nominated, or if the Person so nominated is not present within 15 minutes from the time fixed for the holding of the meeting, the Holders present in Person or by proxy shall, by majority vote, choose a Person present to be chairman.

7.4 Quorum

Subject to the provisions of Section 7.12, at any meeting of the Holders a quorum shall consist of Holders present in person or by proxy and representing 20% in principal amount of the Notes outstanding. If a quorum of the Holders shall not be present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned pursuant to a Noteholders' Request, shall be dissolved; but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day in which case it shall be adjourned to the first Business Day thereafter) at the same time and place and no notice shall be required to be given with respect to such adjourned meeting. At the adjourned meeting, the Holders present in Person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened notwithstanding that they may not represent 20% in principal amount of the Notes outstanding. Any business may be brought before or dealt with at an adjourned meeting which might have been brought before or dealt with at the original

meeting in accordance with the notice calling the same. No business shall be transacted at any meeting other than an adjourned meeting unless the required quorum is present at the commencement of business.

7.5 Power to Adjourn

The chairman of any meeting at which a quorum of the Holders is present may with the consent of the Holders of a majority in principal amount of the Notes represented thereat adjourn any such meeting and no notice of such adjournment need be given except such notices, if any, as the meeting may prescribe.

7.6 Show of Hands

Every question submitted to a meeting shall, subject to Section 7.7, be decided in the first instance by a majority of the votes given on a show of hands. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact. The chairman of any meeting shall be entitled both on a show of hands and on a poll, to vote with respect to the Notes, if any, held by him or the Holder whose proxy he holds.

7.7 Poll

On every Extraordinary Resolution, and on any other question submitted to a meeting, when demanded by the chairman or by one or more Holders or proxies for Holders either before or after a vote by show of hands, a poll shall be taken in such manner and either at once or after an adjournment as the chairman shall direct. Resolutions other than Extraordinary Resolutions shall, if a poll is taken, be decided by the votes of the Holders of a majority in principal amount of the Notes represented at the meeting and voted on the poll.

7.8 Voting

On a show of hands, every Person who is present and entitled to vote, whether as a Holder or as proxy for one or more Holders or both, shall have one vote. On a poll, each Holder present in Person or represented by a proxy duly appointed by an instrument in writing shall be entitled to one vote with respect to each \$900 principal amount of Notes of which he shall then be the Holder or the proxy for the Holder. A proxy need not be a Holder. In the case of joint registered Holders, any one of them present in Person or by proxy at the meeting may vote in the absence of the other or others; but in case more than one of them shall be present in Person or by proxy, they shall vote together with respect to the Notes of which they are joint registered Holders.

7.9 Regulations

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

- a. 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 a Holder;
- b. the deposit of instruments appointing proxies at such place as the Trustee, the Corporation or the Holder convening the meeting, as the case may be, may, in the notice convening the meeting, direct, and the time, if any, before the holding of the meeting or any adjournment thereof by which the same shall be deposited; and
- c. the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be delivered, mailed or telecopied before the meeting to the Corporation or to the Trustee at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting.

Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only Persons who shall be recognized at any meeting as the Holders, or as entitled to vote or be present at the meeting with respect thereto, shall be Holders and Persons whom Holders have by instrument in writing duly appointed as their proxies.

7.10 Persons Entitled to Attend Meetings

The Corporation and the Trustee (by their respective employees, officers and directors) and the legal advisers of the Corporation, the Trustee and any Holder, and any other Person permitted by the chairman to attend, may attend any meeting of the Holders, but such parties, unless otherwise entitled to vote as Holders or proxies, shall not be entitled to vote at such meeting.

7.11 Powers Exercisable by Extraordinary Resolution

In addition to the powers conferred upon them by any other provision of this Note Indenture or by law, but subject to the provisions of Section 10.1b, a meeting of the Holders shall have the following powers exercisable from time to time by Extraordinary Resolution, and subject (where applicable) to Section 3.10:

- a. power to consent to any modification, abrogation, alteration, compromise or arrangement of the rights of the Holders or the Trustee (with the prior written consent of the Trustee) against the Corporation or against its property, whether such rights arise under this Note Indenture, the Notes or otherwise;
- b. power to consent to any modification of or change in or addition to or omission from the provisions contained in this Note Indenture or any Note (collectively, "**amendments**") which shall be agreed to by the Corporation and to authorize the Trustee to concur in and execute any indenture supplemental hereto or thereto embodying any amendment; provided that the rights of the Trustee hereunder shall not be prejudiced thereby;
- c. power to consent to any scheme for the reconstruction or reorganization of the Corporation or for the consolidation, amalgamation or merger of the Corporation with

any other corporation or for the sale, lease, transfer or other disposition of the undertaking, property and assets of the Corporation or any part thereof;

- d. power to direct or authorize the Trustee to exercise any power, right, remedy or authority given to it by this Note Indenture in any manner specified in any such Extraordinary Resolution or to refrain from exercising any such power, right, remedy or authority;
- e. power to waive and direct the Trustee to waive any Event of Default hereunder or cancel any declaration made by the Trustee pursuant to Section 5.2 either unconditionally or upon any condition specified in such Extraordinary Resolution;
- f. power to restrain any Holder from taking or instituting any suit, action or proceeding for the purpose of enforcing payment of the principal of or interest on the Notes, or for the execution of any trust or power hereunder;
- g. power to direct any Holder who has brought any action, suit or proceeding to stay or discontinue or otherwise deal with the same, upon payment of the costs, charges and expenses reasonably and properly incurred by such Holder in connection therewith if the taking of such suit, action or proceeding shall have been permitted by Section 5.12;
- h. power to assent to any compromise or arrangement with any creditor or creditors of any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Corporation;
- i. power to appoint a committee with power and authority (subject to such limitations, if any, as may be prescribed in any such Extraordinary Resolution) to exercise, and to direct the Trustee to exercise, on behalf of the Holders, such of the powers of the Holders as are exercisable by extraordinary or other resolution as shall be included in the resolution appointing the committee. The Extraordinary Resolution making such appointment may provide for payment of the expenses and disbursements of and compensation to such committee. Such committee shall consist of such number of Persons as shall be prescribed in the resolution appointing it and the members need not be Holders. Every such committee may elect its chairman and may make regulations respecting its quorum, the calling of its meetings, the filing of vacancies occurring in its number and its procedure generally. Such regulations may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by the number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all Holders. Neither the committee nor any member thereof shall be liable for any loss arising from or in connection with any action taken or omitted to be taken by it in good faith;
- j. power to authorize, subject to Article 3, the distribution in specie of any shares, bonds, notes or other securities or obligations or cash or other consideration received hereunder or the use or disposal of the whole or any part of such shares, bonds, notes or other securities or obligations or cash or other consideration in such manner and for such purpose as may be deemed advisable and specified in such Extraordinary Resolution provided that no such Extraordinary Resolution shall be necessary to authorize the payment of any Share Payment Amount pursuant to any Share Payment Election;

- k. power to authorize the Trustee or any other Person or Persons to (i) bid at any sale of the Corporation's properties or assets or any part thereof; (ii) borrow the monies required to make any deposit at said sale or pay the balance of the purchase price and to hypothecate, mortgage, pledge, charge, cede and transfer the property or assets so purchased as security for the repayment of the monies so borrowed and interest thereon, or itself, himself or themselves, as the case may be, to advance such monies (in which event it, he or they shall have a lien upon the property or assets so purchased for the amount so advanced and interest thereon); (iii) hold any property or assets to purchased (subject to any hypothec, mortgage, pledge, charge or lien to secure any monies so borrowed or advanced) in trust for all the Holders of the Notes outstanding at the time of such sale *pro rata* in proportion to the amounts due to them thereon respectively for principal and interest before such sale, and to sell, transfer and convey the whole or any part or parts of the property or assets so purchased for such consideration in cash or in the shares, bonds, notes or other securities or obligations pursuant to the provisions of Section 7.11j; (iv) until the sale, transfer or conveyance of the whole of such property or assets so purchased, to maintain and operate such part of said property and assets as has not been disposed of, and for such purposes to borrow monies and to hypothecate, mortgage, pledge, charge, cede and transfer the property or assets so purchased, or any part thereof, as security for the repayment of the monies so borrowed and interest thereon, or itself, himself or themselves, as the case may be, to advance such monies (in which event it, he or they shall have a lien upon the property or assets so purchased for the amount so advanced and interest thereon); and (v) otherwise deal with such property and assets and the proceeds of any sale, transfer or conveyance thereof as the Holders may by such Extraordinary Resolution direct;
- l. power to remove the Trustee from office and to appoint a new trustee or trustees;
- m. power to authorize the Corporation and the Trustee to grant extensions of time for payment of interest on any of the Notes whether or not the interest, the payment with respect to which is extended, is at the time due or overdue; and
- n. power to amend, alter or repeal any Extraordinary Resolution previously passed by the Holders or by any committee appointed pursuant to Section 7.11i.

7.12 Meaning of Extraordinary Resolutions

- a. The expression "**Extraordinary Resolution**" when used in this Note Indenture means, subject as hereinafter in this Article provided, a resolution proposed to be passed as an Extraordinary Resolution at a meeting of Holders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of this Article 7 at which the Holders of not less than 20% in principal amount of the Notes outstanding are present in Person or by proxy and passed by the affirmative votes of the Holders of not less than 66 2/3% of the principal amount of Notes represented at the meeting and voted on a poll upon such resolution.
- b. If, at any meeting referred to in Section 7.12a, the Holders of 20% in principal amount of the Notes outstanding are not present in Person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if summoned by a Noteholders' Request, shall be dissolved; but in any other case it shall stand adjourned to such date, being not less than 10 days nor more than 20 days later, and to such place and time, all

as may be determined by the chairman. Not less than five days' notice, or such longer period as may be required by the rules of any stock exchange on which the Notes are listed, shall be given of the time and place of such adjourned meeting to the Holders in the manner provided in Section 8.1. Such notice shall state that at the adjournment the Holders present in Person or by proxy shall form a quorum but it shall not be necessary to set forth the purposes for which the meeting was originally called or any other particulars. At the adjourned meeting, the Holders present in Person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed by the requisite vote as provided in Section 7.12a shall be an Extraordinary Resolution within the meaning of this Note Indenture.

- c. Votes on an Extraordinary Resolution shall always be given on a poll and no demand for a poll on an Extraordinary Resolution shall be necessary.

7.13 Powers Cumulative

It is hereby declared and agreed that any one or more of the powers under this Note Indenture stated to be exercisable by the Holders by Extraordinary Resolution or otherwise may, if so authorized, 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 rights of the Holders to exercise the same or any other such power or powers thereafter from time to time.

7.14 Minutes

Minutes of all resolutions and proceedings at every meeting as aforesaid 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 as aforesaid, if signed by the chairman of the meeting at which such resolutions were passed or proceedings had, or by the chairman of the next succeeding meeting of the Holders, shall be *prima facie* evidence of the matters therein stated and, until the contrary is proved, every such meeting, with respect to 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 taken thereat to have been duly passed and taken.

7.15 Instrument in Writing

All actions which may be taken and all powers that may be exercised by the Holders at a meeting held as hereinbefore in this Article 7 provided may also be taken and exercised by the Holders of not less than a majority in principal amount of the outstanding Notes in the case of such actions and powers not requiring an Extraordinary Resolution and not less than 66 2/3% of the principal amount of the outstanding Notes in the case of such actions and powers requiring an Extraordinary Resolution, by an instrument in writing signed in one or more counterparts and the expression Extraordinary Resolution when used in this Note Indenture shall include an instrument so signed.

7.16 Binding Effect of Resolutions

Every resolution and every Extraordinary Resolution passed in accordance with the provisions of this Article 7 at a meeting of Holders shall be binding upon all the Holders,

whether present at or absent from such meeting, and every instrument in writing signed by Holders in accordance with Section 7.15 shall be binding upon all Holders, whether signatories thereto or not, and each and every Holder and the Trustee (subject to the provisions for its indemnity herein contained) shall be bound to give effect accordingly to every such resolution, Extraordinary Resolution and instrument in writing.

7.17 Evidence of Rights of Holder

Any request, direction, notice, consent or other instrument which this Note Indenture may require or permit to be signed or executed by the Holders may be in any number of counterparts and may be signed or executed by such Holders in Person or by attorney duly appointed in writing. Proof of the execution of any such request or other instrument or of a writing appointing any such attorney or (subject to the provisions of this Article 7.17 with regard to voting at meetings of Holders) of the holding by any Person of Notes shall be sufficient for any purpose of this Note Indenture if made in the following manner, namely, the fact and date of execution by any Person of such request or other instrument or writing may be proved by the certificate of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded at the place where such certificate is made, that the Person signing such request or other instrument in writing acknowledged to him the execution thereof or by affidavit of a witness of such execution or in any other manner which the Trustee may consider adequate.

The Trustee may, nevertheless, in its discretion require further proof in cases where it deems further proof desirable or may accept such other proof as it shall consider proper.

ARTICLE 8 NOTICES

8.1 Notice

Any notice required or permitted to be given hereunder shall be in writing and given by delivering, by registered mail or courier, or by transmitting by telecopier (in the case of the Corporation or the Trustee):

- a. to the Corporation at:

Petrobank Energy and Resources Ltd.
2200, 400 - 3rd Avenue S.W.
Calgary, Alberta T2P 4H2
Attention: Chairman
Telecopier: (403) 266-5794

- b. to the Holder at the address appearing on the Register, and if, in the case of joint Holders, more than one address appears in the Register in respect of such joint holding, notice shall be addressed to the first address so appearing, or at the option of such party giving notice, such notice may be given by publication twice in the Report on Business section of the National Edition of the Globe and Mail or similar section of any newspaper having national circulation in Canada; provided further that if there is no newspaper having national circulation, then by publishing twice in the business section of a newspaper in each city where the Register or Registers are maintained.

- c. to the Trustee at its principal office in the City of Calgary at:

Montreal Trust Company of Canada
 710, 530 - 8th Avenue S.W.
 Calgary, Alberta
 T2P 3S8
 Attention: Manager, Corporate Trust Department
 Telecopier: (403) 267-6598

Any notice given as aforesaid shall be deemed to have been given at the time delivered or telecopied (provided complete transmission is confirmed) if delivered or telecopied to the recipient on a Business Day (in the city in which the addressee is located) and before 4:30 p.m. (local time in the city in which the addressee is located) on such Business Day, and otherwise shall be deemed to be given at 9:00 a.m. (local time in the city in which the addressee is located) on the next following Business Day or, in the case of notice being given by registered mail, on the third Business Day following the date of mailing, or, in the case of notice being given by publication, on the Business Day following the day of second publication of such notice. Any party may change its address for notice by notice to the other parties hereto given in the manner herein provided.

ARTICLE 9 CONCERNING THE TRUSTEE

9.1 No Conflict of Interest

The Trustee represents to the Corporation that at the date of execution and delivery by it of this Note Indenture there exists no material conflict of interest in the role of the Trustee as a fiduciary hereunder. If, notwithstanding the provisions of this Section 9.1, such a material conflict of interest exists, the validity and enforceability of this Note Indenture, and the Notes issued hereunder, shall not be affected in any manner whatsoever by reason only that such material conflict of interest exists but the Trustee shall, within 90 days after ascertaining that it has a material conflict of interest, either eliminate such material conflict of interest or resign in the manner and with the effect specified in Section 9.2.

9.2 Replacement of Trustee

- a. The Trustee may resign its trust and be discharged from all further duties and liabilities hereunder by giving to the Corporation three months' notice in writing or such shorter notice as the Corporation may accept as sufficient. 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 Corporation shall forthwith appoint a new Trustee unless a new Trustee has already been appointed by the Holders; failing such appointment by the Corporation, the retiring Trustee or any Holder may apply to a Justice of the Court of Queen's Bench of Alberta, on such notice as such Justice 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 herein provided by the Holders. Any new Trustee appointed under any provision of this Section shall be a corporation authorized to carry on the business of a trust company in all provinces of Canada. On any new 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.

- b. Any corporation into which the Trustee may be merged or with which it may be consolidated or amalgamated or any corporation resulting from any merger, consolidation or amalgamation to which the Trustee shall be a party, shall be the successor Trustee under this Note Indenture without the execution of any instrument or any further act. Nevertheless, upon the written request of the successor Trustee or of the Corporation, the Trustee ceasing to act shall execute and deliver an instrument assigning and transferring to such successor Trustee, upon the trusts herein expressed, all the rights, powers and trusts of the Trustee so ceasing to act, and shall duly assign, transfer and deliver all property and money held by such Trustee, and deliver a copy of each Register or branch Register maintained by such Trustee, to the successor Trustee so appointed in its place. Should any deed, conveyance or instrument in writing from the Corporation be required by any new Trustee for more fully and effectively vesting in and confirming to it such estates, properties, rights, powers and trusts, then any and all such deeds, conveyances and instruments in writing shall on request of said new Trustee be made, executed, acknowledged and delivered by the Corporation.

9.3 Duties of Trustee

- a. In the exercise of the rights, duties and obligations prescribed or conferred by the terms of this Note Indenture, the Trustee shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances;
- b. In addition to all other duties of the Trustee set forth herein, at all times while any Notes are outstanding, the Trustee shall, in addition, have the following responsibilities hereunder:
 - i. to keep the Corporation's Note ledgers, Registers and branch Registers of transfers and unissued Notes and, subject to such general and particular instructions as may from time to time be given to it by or under the authority of the Board of Directors (which shall be in the form of a Written Direction of the Corporation), the Trustee shall:
 - A. record the particulars of all transfer of Notes upon the appropriate Register of transfers or branch Register(s) of transfers;
 - B. certify and issue Notes to the Holders entitled thereto, representing Notes held by or transferred to them, respectively;
 - C. maintain the Registers of Holders and make such entries from time to time in the Registers as may be necessary in order that the account of each Holder of the Corporation may be properly and accurately maintained; and
 - D. furnish to the Corporation, at the Corporation's expense, at any time such statements, lists, entries, information and material concerning transfers and other matters prepared and undertaken by it as Trustee, including all

documents, papers, information and material as it may have and the Corporation may require;

- ii. forthwith upon receipt of sufficient monies from the Corporation, to forward cheques or other transfers of funds by such means as considered appropriate by the Trustee representing payments of interest upon the Notes to the Holders thereof in accordance with the provisions of Section 2.1e hereof;
 - iii. upon receipt of sufficient monies upon the stated or accelerated maturity of the Notes, but subject to Article 3, to make all payments of principal or interest on the Notes to the Holders thereof as provided in this Note Indenture; and
 - iv. promptly as and when due to make such recordings and filings as may be required to satisfy any statutory or regulatory duty imposed upon the Trustee and to provide the Holders with any such statements and records as they may require to comply with any statutory or regulatory duties imposed upon the Holders in their capacity as Holders.
- c. All Notes shall be effectively and interchangeably transferable on the appropriate principal Register of transfers or on any appropriate branch Register(s) of transfer, regardless of where or when the Notes shall have been issued, and entry of the transfer of any Notes in the appropriate Register of transfer or in any one appropriate branch Register of transfers shall for all purposes be a complete and valid transfer.
 - d. The Trustee may use its own judgment in the performance of its duties as trustee for the Corporation, but at any time it may apply to the Board of Directors or an officer of the Corporation or to such counsel as the Corporation may from time to time determine at the expense of the Corporation, for instructions or advice, and the Corporation will fully protect and hold the Trustee harmless from all liability for any action taken, or not taken, by the Trustee in accordance with or pursuant to such instructions or advice that may be given to it.
 - e. Subject to Section 9.3a, except for its acts of gross negligence or willful misconduct, the Trustee shall not be liable for any act done or step taken or omitted by it in good faith, or for any mistake of fact or law and the Corporation agrees, at all times, to indemnify and save harmless the Trustee and its agents from and against all liability, claims, demands, action, suits or other proceedings by whomsoever made, prosecuted or brought and from all loss, costs, damages and expenses in any manner based upon, occasioned by or attributable to any act of the Trustee in the execution of its duties hereunder.
 - f. The transfer of any Notes in respect of a certificate presented to the Trustee may be refused by it (i) as permitted by Section 2.6d, or (ii) until it is satisfied that such certificate is valid, that the endorsement thereon is genuine and that the transfer requested is legally authorized. The Trustee shall not incur any liability by refusing in good faith to effect any transfer which, in its judgement, is improper or unauthorized, or which is not required to be effected as provided by Section 2.6d.
 - g. The Trustee agrees to faithfully carry out and perform its duties hereunder and, on termination hereof and upon payment by the Corporation to the Trustee of all monies owing to the Trustee hereunder, to deliver over to the Corporation the Registers and

branch Registers maintained by it and any documents connected therewith or with the Corporation transacted hereunder, and a receipt signed by an officer of the Corporation shall be a valid discharge of the Trustee.

9.4 Reliance Upon Declarations

In the exercise of its rights, duties and obligations hereunder the Trustee may, if acting in good faith, rely, as to the truth of the statements and accuracy of the opinions expressed therein, upon statutory declarations, opinions, reports or certificates furnished pursuant to and in accordance with any covenants, conditions and requirements of this Note Indenture. The Trustee shall not be liable for or by reason of any statements or recitals in this Note Indenture or in the Notes (except in the Certificate of the Trustee thereon and except as provided in Section 9.15) or be required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Corporation. The Trustee shall not in any way be responsible for the consequence of any breach on the part of the Corporation of any of the Corporation's covenants contained herein.

9.5 Evidence and Authority to Trustee

- a. The Corporation shall furnish to the Trustee evidence of compliance with the conditions precedent provided for in this Note Indenture relating to any action or step required or permitted to be taken by the Corporation or the Trustee under this Note Indenture or as a result of any obligation imposed under this Note Indenture, including, without limitation, the certification and delivery of Notes hereunder, the satisfaction and discharge of this Note Indenture and the taking of any other action to be taken by the Trustee at the request of or on the application of the Corporation, forthwith if and when such evidence is required by any other Section of this Note Indenture to be furnished to the Trustee or the Trustee, in the exercise of its rights and duties under this Note Indenture, gives the Corporation written notice requiring it to furnish such evidence in relation to any particular action or obligation specified in such notice.

Such evidence shall consist of:

- i. a Certificate of the Corporation stating that any such condition precedent has been complied with in accordance with the terms of this Note Indenture; and
 - ii. in the case of a condition precedent for which compliance with is, by the terms of this Note Indenture, made subject to review or examination by a solicitor, an opinion of Counsel that such condition precedent has been complied with in accordance with the terms of this Note Indenture.
- b. Whenever such evidence relates to a matter other than the certification and delivery of Notes and the satisfaction and discharge of this Note Indenture, and except as otherwise specifically provided herein, such evidence may consist of a report or opinion of any solicitor, auditor, accountant, engineer or appraiser or any other Person whose qualifications give authority to a statement made by him, provided that if such report or opinion is furnished by a director, officer or employee of the Corporation, it shall be in the form of a statutory declaration.

- c. Each statutory declaration, certificate, opinion or report with respect to compliance with a condition precedent provided for in this Note Indenture shall include: (i) a statement by the Person giving the evidence that he has read and is familiar with those provision of this Note Indenture relating to the condition precedent in question; (ii) a brief statement of the nature and scope of the examination or investigation upon which the statements or opinions contained in such evidence are based; (iii) a statement that in the belief of the Person giving such evidence, he has made such examination or investigation as is necessary to enable him to make the statements or give the opinions contained or expressed therein; and (iv) a statement whether in the opinion of such Person the conditions precedent in question have been complied with or satisfied.
- d. The Corporation shall furnish to the Trustee annually, on the anniversary date of this Note Indenture and at any other reasonable time if the Trustee so requires, a Certificate of the Corporation to the effect that it has complied with all covenants, conditions or other requirements contained in this Note Indenture, the noncompliance with which would, with the giving of notice or the lapse of time, or both, or otherwise, constitute an Event of Default, or if such is not the case, specifying the covenant, condition or other requirement which has not been complied with and giving particulars of such noncompliance. The Corporation shall, whenever the Trustee so requires, furnish the Trustee with evidence by way of statutory declaration, opinion, report or certificate as specified by the Trustee as to any action or step required or permitted to be taken by the Corporation or as a result of any obligation imposed by this Note Indenture.

9.6 Certificate of the Corporation as Evidence

Except as otherwise specifically provided or prescribed by this Note Indenture, whenever in the administration of the provisions of this Note Indenture the Trustee 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 request and rely upon a Certificate of the Corporation.

9.7 Experts, Advisers and Agents

In relation to this Note Indenture, the Trustee may act on the opinion or advice of or information obtained from any solicitor, auditor, valuator, engineer, surveyor, appraiser or other expert, whether obtained by the Trustee or by the Corporation, or otherwise, and may employ such assistants as may be necessary to the proper discharge of its duties and may pay proper and reasonable compensation for all such legal and other advice or assistance as aforesaid.

9.8 Documents Held by Trustee

Any securities, documents of title or other instruments that may at any time be held by the Trustee subject to the trusts hereof may be placed in the deposit vaults of the Trustee or of any Schedule 1 Canadian chartered bank or trust company or deposited for safekeeping with any such bank or trust company.

9.9 Investments of Monies by Trustee

- a. Unless herein otherwise expressly provided, any money held pending the application or withdrawal thereof under any provision of this Note Indenture may be deposited in the name of the Trustee in any Schedule 1 Canadian chartered bank at the rate of interest then current on similar deposits or, with the Consent of the Corporation, may be:
 - i. deposited in the deposit department of the Trustee or of any other loan or trust company authorized to accept deposits under the laws of Canada or a province thereof; or
 - ii. invested in securities issued or guaranteed by the Government of Canada or a province thereof or in obligations, maturing not more than one year from the date of investment, of any Schedule 1 Canadian chartered bank.
- b. Unless the Corporation is in default hereunder, all interest or other income received by the Trustee in respect of deposits and investments will belong to the Corporation. Nothing herein contained shall restrict or prohibit the Trustee, in its personal or any other capacity (other than in its capacity as Trustee herein), from buying, selling, lending upon or dealing in the Notes or other securities of the Corporation or from generally contracting or entering into financial or other transactions with the Corporation, nor shall the Trustee be liable to account to any Holders of the Notes for any profits made by the Trustee as a consequence of any such transactions.

9.10 Trustee Not Ordinarily Bound

Except as provided in Section 5.8 and as otherwise specifically provided herein, the Trustee shall not, subject to Section 9.3, 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 unless the Trustee shall have been required to do so by a Noteholders' Request or by an Extraordinary Resolution of the Holders passed in accordance with the provisions contained in Article 7, and then only after it shall have been indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages and expenses which it may incur by so doing, nor in any way or at any time or on any conditions to supervise or interfere with the conduct of the Corporation's business.

9.11 Trustee Not Required to Give Security

The Trustee shall not be required to give any bonds or security with respect to the execution of the trusts and powers of this Note Indenture or otherwise in respect of this Note Indenture.

9.12 Trustee Not to Be Appointed Receiver

The Trustee and any Person related to the Trustee shall not be appointed a receiver or receiver and manager or liquidator of all or any part of the assets or undertakings of the Corporation.

9.13 Trustee Not Bound to Act

Except as in this Note Indenture otherwise specifically provided, the Trustee shall not be bound to act in accordance with any direction or Request of the Corporation or of the Directors until a duly authenticated copy of the instrument or resolution containing such direction or request shall have been delivered to the Trustee, and the Trustee shall be empowered to act upon any such copy purporting to be authenticated by the Trustee to be genuine.

9.14 Conditions Precedent to Trustee's Obligations to Act Hereunder

- a. The obligation of the Trustee to commence or continue any act, action or proceeding for the purpose of enforcing the rights of the Trustee and of the Holders hereunder shall be conditional upon the Holders furnishing, when required by notice in writing by the Trustee, sufficient funds to commence or continue such act, action or proceeding and an 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.
- b. None of the provisions contained in this Note 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.
- c. The Trustee may, before commencing or at any time during the continuance of any such act, action or proceeding, require the Holders at whose instance it is acting to deposit with the Trustee the Notes held by them for which Notes the Trustee shall issue receipts.

9.15 Authority to Carry on Business

The Trustee represents to the Corporation that at the date of execution and delivery by it of this Note Indenture it is authorized to carry on the business of a trust company in all Provinces of Canada. If the Trustee ceases to be so authorized to carry on business, the validity and enforceability of this Note Indenture and the Notes shall not be affected in any manner whatsoever by reason only of such event but the Trustee shall, within 90 days after ceasing to be authorized to carry on the business of a trust company in all Provinces of Canada either become so authorized or resign in the manner and with the effect specified in Section 9.2.

9.16 Acceptance of Trust

The Trustee hereby accepts the trusts in this Note Indenture declared and provided for and agrees to perform the same upon the terms and conditions herein set forth and to hold all rights, privileges and benefits conferred hereby and by law in trust for the various Persons who shall from time to time be Holders, subject to all the terms and conditions herein set forth.

9.17 Indemnity of Trustee

In addition to and without limiting any protection of the Trustee hereunder or otherwise by law, the Corporation hereby indemnifies the Trustee and saves it and its officers, directors, employees and agents harmless from all liabilities, suits, damages, costs, expenses and actions which may be brought against or suffered by it arising out of or connected with the performance by it of its duties hereunder except to the extent that such liabilities, suits, damages, costs or actions are attributable to the negligence or wilful misconduct or bad faith of the Trustee or breach by the Trustee of its duties or obligations hereunder. Notwithstanding any other provision hereof, this indemnity shall survive any removal or resignation of the Trustee, discharge of this Note Indenture and termination of any trusts thereunder.

9.18 Assignment to Computershare Trust Company of Canada

The parties acknowledge and agree, and any Holders hereunder are hereby deemed to have acknowledged and agreed that:

- a. Montreal Trust Company of Canada has sold its corporate trust business and that such business is, as of the date of this Note Indenture, owned and operated by Computershare Trust Company of Canada ("**Computershare**"); and
- b. Montreal Trust Company of Canada may assign this Note Indenture and any ancillary agreements executed in connection herewith, and all of its rights and obligations thereunder, to Computershare. Any such assignment shall be effective without the need for any further notice or advice to, or approval of any other person and without any further act or permit whatsoever.

ARTICLE 10 SUPPLEMENTAL INDENTURES

10.1 Supplemental Indenture

- a. From time to time the Trustee and, when authorized by a resolution of the Directors, the Corporation, may, and they shall when required by this Note Indenture, execute, acknowledge and deliver by their proper officers, deeds or indentures supplemental hereto, which thereafter shall form part hereof, for any one or more of the following purposes:
 - i. adding to the covenants of the Corporation herein contained for the protection of the Holders or providing for Events of Default in addition to those herein specified;
 - ii. making such provisions not inconsistent with this Note Indenture as may be necessary or desirable with respect to matters or questions arising hereunder, including the making of any modifications in the form of the Notes which do not affect the substance thereof, provided that the Trustee shall be of the opinion that such provisions and modifications will not be prejudicial to the interests of the Holders or the Trustee;
 - iii. giving effect to any Extraordinary Resolution passed as provided in Article 7;

- iv. confirming for the purposes of any Successor Corporation the rights provided to a Successor Corporation hereunder and so as to ensure any such Successor Corporation is able to enforce the provisions of this Note Indenture applicable to it; or
 - v. for any other purpose not inconsistent with the terms of this Note Indenture.
- b. Notwithstanding anything to the contrary herein contained, no modification or amendment of this Note Indenture may be made without the consent of the Holders of not less than a majority in principal amount of the outstanding Notes issued under the Indenture to:
- i. reduce the amount of Notes whose Holders must consent to an amendment (as described in Section 7.11b);
 - ii. reduce the rate of or change or have the effect of changing the time for payment of interest, including Defaulted Interest, on any Notes;
 - iii. reduce the principal of or change or have the effect of changing the fixed maturity of any Notes;
 - iv. make any Notes payable in any currency or form other than that stated in the Notes;
 - v. make any change in provisions of this Note Indenture protecting the right of each Holder to receive payment of principal of and interest on such Note on or after the Maturity Date thereof or to bring suit to enforce such payment, or permitting Holders by Extraordinary Resolution to waive Events of Default;
 - vi. modify or change any provision of this Note Indenture or the related definitions affecting the ranking of the Notes in a manner which adversely affects the Holders; or
 - vii. amend this Section 10.1b.

The Trustee may also, without the consent or concurrence of the Holders, by supplemental indenture or otherwise, concur with the Corporation in making any changes or corrections in this Note Indenture which it shall have been advised by Counsel are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or clerical omissions or mistakes or manifest errors contained herein or in any deed or indenture supplemental or ancillary hereto, provided that in the opinion of Counsel the rights of the Trustee and the Holders are in no way prejudiced thereby.

10.2 Indenture Confirming or Evidencing Subordination

From time to time the Trustee may, and shall when requested by a holder of Senior Indebtedness, execute, acknowledge and deliver by its proper officers, such deeds, documents, instruments or indentures as may be reasonably required by such holder of Senior Indebtedness, to confirm, evidence or give effect to any of the provisions of Article 3 of this Note Indenture or to ensure that any holders of Senior Indebtedness receive the full benefit of

the provisions of Article 3 including, without limiting the generality of the foregoing, the provision of proxies by the Trustee to a holder of Senior Indebtedness for the purposes of Section 3.10.

ARTICLE 11 FORM OF NOTE

11.1 Form of Note

The form for the Notes, the certificate of the Trustee and the transfer panel thereon shall be as set forth in Schedule "A" hereto.

ARTICLE 12 SUCCESSOR CORPORATIONS

12.1 Successor Corporation to the Corporation

The Corporation may, directly or indirectly, sell, lease, transfer or otherwise dispose of all or substantially all of its property and assets as an entirety to any other corporation or may amalgamate, consolidate or merge with or into any other corporation (any such corporation to which such property and assets are disposed or with which or into which the Corporation is consolidated, amalgamated or merged referred to as a "**Successor Corporation**") provided that:

- a. the Successor Corporation shall execute, prior to or contemporaneously with the consummation of any such transaction, an indenture supplemental hereto, together with such instruments as are satisfactory to the Trustee, acting reasonably, as in the opinion of Counsel are necessary or advisable to evidence the assumption by the Successor Corporation of the obligations of the Corporation hereunder and under the Notes and the covenant of the Successor Corporation to observe and perform all of the covenants and obligations of the Corporation under this Note Indenture;
- b. such transaction shall be on such terms as substantially preserve and do not impair, in the reasonable opinion of the Board of Directors, any material rights or powers of the Trustee or of the Holders hereunder or under the Notes and upon such terms as are not prejudicial in any material manner to the interests of the Holders; and
- c. no condition or event shall exist as to the Corporation at the time of or immediately after the consummation of any such transaction after giving full effect thereto, or immediately after the Successor Corporation complying with the provisions of Section 12.1a above, which constitutes a Default hereunder.

12.2 Vesting of Powers in Successor Corporation

Whenever the conditions of Section 12.1 have been duly observed and performed, the Successor Corporation shall possess and from time to time may exercise each and every right and power of the Corporation under this Note Indenture in the name of the Corporation or otherwise and any act or proceeding by any provision of this Note Indenture required to be done or performed by any director or officer of the Corporation may be done and performed with like force and effect by the directors or officers of such Successor Corporation.

12.3 Arrangement and Amalgamation

The provisions of this Article 12 shall not be applicable to and compliance by the Corporation shall not be required under this Article 12 in respect of, the Amalgamation or the Arrangement.

ARTICLE 13 GENERAL

13.1 Entire Agreement

This Note Indenture constitutes the entire agreement between the parties hereto relating to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, of the parties and there are no general or specific warranties, representations or other agreements by or among the parties in connection with the entering into of this Note Indenture or the subject matter hereof except as specifically set forth herein.

13.2 Amendments

This Note Indenture may be altered or amended in accordance with the provisions contained herein provided such changes are in writing and signed by the parties hereto.

13.3 Further Assurances

The parties hereto and each of them do hereby covenant and agree to do such things and execute such further documents, agreements and assurances as may be necessary or advisable from time to time in order to carry out the terms and conditions of this Note Indenture in accordance with their true intent.

13.4 Unenforceable Terms

If any term, covenant or condition of this Note Indenture, or the applicability thereof to any party or circumstance shall be invalid or unenforceable to any extent, the remainder of this Note Indenture or application of such term, covenant or condition to a party or circumstance other than those to which it is held invalid or unenforceable shall not be affected thereby and each remaining term, covenant or condition of this Note Indenture shall be valid and shall be enforceable to the fullest extent permitted by law.

13.5 Trustee Indenture Legislation

- a. The expression "**Indenture Legislation**" means the provisions, if any, of Part 7, Division 1 of the *Business Corporations Act* (Alberta) and the relevant provision of any other statute of Canada or any province or territory thereof, and of any regulation under any such statute, relating to trust indentures and to the rights, duties and obligations of trustees under trust indentures and of companies issuing debt obligations under trust indentures, to the extent that such provisions are at the time in force and applicable to this Note Indenture or the Corporation.

- b. The Corporation and the Trustee agree that each will at all times in relation to this Note Indenture and any action to be taken hereunder, observe and comply with and be entitled to the benefits of Indenture Legislation.
- c. If and to the extent that any provision of this Note Indenture limits, qualifies or conflicts with any mandatory requirement of Indenture Legislation, such mandatory requirement shall prevail.

13.6 Execution

This Note Indenture may be simultaneously executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.

13.7 Formal Date

For the purpose of convenience this Note Indenture may be referred to as bearing formal date as set out on the first page hereof irrespective of the actual date of execution hereof.

IN WITNESS WHEREOF the parties hereto have executed these presents under their respective corporate seals and the hands of their proper officers in that behalf.

PETROBANK ENERGY AND RESOURCES LTD.

Per: _____

Per: _____

MONTREAL TRUST COMPANY OF CANADA

Per: _____

Per: _____

SCHEDULE "A"

FORM OF NOTE

The form for the Notes, the Certificate of the Trustee and the registration and transfer panel thereon shall be in the English language substantially as follows:

(Form of Note)

PETROBANK ENERGY AND RESOURCES LTD. (incorporated pursuant to the laws of Alberta)

9% UNSECURED SUBORDINATED NOTE

Certificate Number: _____ Principal Amount: \$ _____

DUE: June 30, 2008

Petrobank Energy and Resources Ltd. (the "Corporation", which term includes any Successor Corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to [_____], or its registered assigns, the principal amount on June 30, 2008 and to pay interest on said principal sum from the Issue Date hereof or from the most recent interest payment date (each such date an "Interest Payment Date") to which interest has been paid or duly provided for quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing • at the rate of 9% per annum until the principal hereof shall have become due and payable, and on any overdue principal and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum. For any Notes issued in June, 2001, the first Interest Payment Date shall nevertheless be September 30, 2001. Notwithstanding the foregoing, the Corporation may in its sole discretion pay any interest on any applicable Interest Payment Date by making a Share Payment Election in accordance with Section 2.13 of the Indenture, in which event the Holder of this Note shall be entitled to receive payments in cash equal to the interest payments to be made on the applicable Interest Payment Date from funds resulting from the sale of the requisite number of Shares by the Trustee and any amounts payable by the Corporation attributable to fractional Shares and any Obligations purchased with such funds as set forth herein and in the Indenture. The amount of interest payable on any Interest Payment Date will be computed on the basis of a year of 365 or 366 days, as applicable. In the event that any date on which interest is otherwise due on this Note is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. The interest installment so payable on any Interest Payment Date will be paid to the Person in whose name this Note is registered at the close of business on the Record Date for such interest installment, which shall be the March 15, June 15, September 15 or December 15, as the case may be, next preceding such Interest Payment Date. The principal of and the

interest on this Note shall be payable at the office or agency of the Trustee maintained for that purpose; *provided, however*, that payment of interest may be made at the option of the Corporation by mailing a cheque payable to the Holder at such address as appears on the Register, *provided, further*, that in the case of payments of principal, the Note must be first surrendered to the Paying Agent.

The Corporation may pay any interest, the Redemption Price or the Maturity Amount of the Notes by making a Share Payment Election in accordance with Section 2.13 of the Indenture, in which event the Holder of this Note shall be entitled to receive payments in cash equal to such Redemption Price or Maturity Amount from funds resulting from the sale of the requisite number of Shares and any amounts payable by the Corporation attributable to fractional Shares and any Qualified Obligations purchased with such funds, as set forth in the Indenture.

The indebtedness evidenced by this Note is, to the extent provided in the Indenture, subordinate and junior in right of payment to all Senior Indebtedness, and this Security is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Security, by accepting the same, (a) agrees to and shall be bound by all the provisions of the Indenture, (b) authorizes and directs the Trustee on his or her or its behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination so provided, and (c) irrevocably appoints the Trustee his or her or its attorney-in-fact for any and all such purposes. Each Holder hereof, by his or her or its acceptance hereof, hereby waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such Holder upon said provisions.

All Notes issued under the Indenture rank equally and ratably without priority or preference. This Note is a direct obligation of the Corporation but is not secured by any mortgage, hypothec, charge or pledge.

The Indenture contains provisions making binding upon all Holders of Notes outstanding thereunder resolutions passed at meetings of such Holders held in accordance with such provisions and instruments in writing signed by the Holders of a specified percentage of the aggregate principal amount of the Notes outstanding.

This Note shall not be entitled to any benefit under the Indenture hereinafter referred to, or be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by or on behalf of the Trustee.

This Note is one of a duly authorized issue of notes designated as its 9% Unsecured Subordinated Notes due June 30, 2008 (hereinafter the "Notes") of the Corporation, limited in aggregate principal amount to \$500,000,000 issued under and pursuant to a Note Indenture dated as of June [21], 2001 (the "Indenture"), duly executed and delivered between the Corporation and Montreal Trust Company of Canada, as Trustee (the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Corporation and the Holders.

The Corporation shall have the right from time to time, without the consent of the Holders, to issue additional Notes under the Indenture.

The Corporation shall have the right to redeem this Note at its option, in whole or in part, at any time and from time to time, on or after June 30, 2004 on not less than 30 days' and not more than 60 days' prior written notice at a Redemption Price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon to the Redemption Date. If the Notes are only partially redeemed by the Corporation, the Notes will be redeemed *pro rata* or by lot or by any other method utilized by the Trustee. In the event of redemption of this Note in part only, a new Note or Notes for the unredeemed portion hereof will be issued in the name of the Holder thereof upon the surrender and cancellation hereof. Upon the occurrence of a Redemption Tax Event, the Corporation also shall have the right to redeem this Security, in whole but not in part, at any time following the occurrence of a Redemption Tax Event.

The Redemption Price is payable in cash or, at the option of the Corporation, by making a Share Payment Election in accordance with Section 2.13 of the Indenture in which event the Holder of this Note shall be entitled to receive a payment in cash equal to the Redemption Price from funds resulting from the sale of the requisite number of Shares plus any amounts payable by the Corporation attributable to fractional Shares sufficient to pay the Redemption Price on the date such Redemption Price is to be paid. The Redemption Price shall be paid prior to 11:00 a.m., Calgary time, on the date of such redemption or at such earlier time as the Corporation determines. Any redemption pursuant to the preceding paragraph will be made upon not less than 30 days' nor more than 60 days' notice.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of all of the Notes may be declared, and upon such declaration shall become, due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Corporation and the Trustee to execute supplemental indentures for the purposes of (i) adding covenants of the Corporation for the protection of the Holders or adding additional Events of Default, (ii) making changes not inconsistent with the Note Indenture and which do not affect the substance thereof and which in the Trustee's opinion will not prejudice the interest of Holders or the Trustee, (iii) giving effect to Extraordinary Resolutions, (iv) confirming the rights of a Successor Corporation, (v) matters not inconsistent with the terms of the Note Indenture, or (vi) for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or clerical omissions or mistakes or manifest errors. Notwithstanding the foregoing, no modification or amendment of the Note Indenture may be made without the consent of not less than a majority in principal amount of the outstanding Notes to (a) reduce the amount of the Notes, whose holders must consent to amendment, (b) reduce the rate or change or have the effect of changing the time for payment of interest, (c) reduce the principal of or change or have the effect of changing the fixed maturity of any Notes, (d) make Notes payable in any other currency or form, (e) change provisions protecting the right of a Holder to receive payment of principal and interest on or after the Maturity Date or to bring action to enforce such payment or permitting Holders to waive events of default by Extraordinary Resolution, (f) modify provisions affecting ranking of the Notes adversely affecting the Holders, or (g) amending any of the foregoing.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Corporation, which is absolute and

unconditional, to pay the principal of and interest on this Note at the time and place and at the rate and in the money herein prescribed or, in the manner provided in Section 2.13 of the Indenture.

The Corporation may pay any interest on any Interest Payment Date, the Maturity Amount at Maturity or the Redemption Price on the applicable Redemption Date, by making a Share Payment Election and delivering Shares to the Trustee for sale and cash in an amount equal to the value of any fractional Shares, the proceeds of which (together with cash received from the Corporation in respect of any fractional Share), shall be deposited in the Property Account and/or invested in Qualified Obligations for the payment of interest on such Interest Payment Date, the Maturity Amount at Maturity or the Redemption Price on the applicable Redemption Date, all in accordance with Section 2.13 of the Indenture. The Trustee shall, from funds received from such Qualified Obligations, together with funds in the Property Account, pay the interest on such Interest Payment Date, the Maturity Amount at Maturity or the Redemption price at the Redemption Date to Holders as of the related Record Date.

As provided in the Indenture and subject to certain limitations therein set forth, this Note is transferable by the registered Holder hereof on the Register of the Corporation, upon surrender of this Note for registration of transfer at the office or agency of the Trustee in the City of Calgary accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and subject to payment of the reasonable fees of the Trustee in that regard, and thereupon one or more new Notes of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Corporation, the Trustee and any Paying Agent may deem and treat the registered Holder hereof as the absolute owner hereof for all purposes.

The Notes are issuable only in registered form without coupons in denominations of \$900 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations herein and therein set forth, Notes are exchangeable for a like aggregate principal amount of Notes of a different authorized denomination, as requested by the Holder surrendering the same.

The Indenture and this Note shall be governed by and construed in accordance with the laws of the Province of Alberta.

All terms used in this Note that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

In witness whereof Petrobank Energy and Resources Ltd. has caused this Note to be signed by its duly authorized officers as of the ____ day of _____, 2001.

PETROBANK ENERGY AND RESOURCES LTD.

Per: _____

THIS NOTE IS NOT VALID UNTIL CERTIFIED BY THE TRUSTEE.

TRUSTEE'S CERTIFICATE

This Note is one of the Notes referred to in the Note Indenture within mentioned.

**MONTREAL TRUST COMPANY OF CANADA,
Trustee**

Per: _____
(Authorized Signature)