MATERIAL CHANGE REPORT

1. **Reporting Issuer:**

   PETROBANK ENERGY AND RESOURCES LTD.

2. **Date of Material Change:**

   August 28, 2002

3. **News Release**

   A press release disclosing the details outlined in this Material Change Report was issued by Petrobank Energy and Resources Ltd. on August 28, 2002 and disseminated through the facilities of CCNMatthews and would have been received by the securities commissions where Petrobank Energy and Resources Ltd. is a "reporting issuer" and the stock exchanges on which the securities of Petrobank Energy and Resources Ltd. are listed and posted for trading in the normal course of its dissemination.

4. **Summary of Material Change:**

   On August 28, 2002, Petrobank Energy and Resources Ltd. ("Petrobank" or the "Company") announced that a special independent committee of its Board of Directors has reached an agreement to repurchase all of the Company's outstanding preferred shares and 85% of the outstanding common share purchase warrants. The effect of the transaction is to repurchase 8.5 million warrants at an effective common share price of $2.04 per share, a 15% discount to the most recent closing price. These transactions will result in an approximate 16% reduction in issued capital compared to what would be the case if all the warrants were exercised and reduce the Company's dividend obligations by $900,000. Petrobank is a public company trading on the Toronto Stock Exchange. Copies of its public documents can be obtained from the SEDAR website at www.sedar.com.

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

   On August 28, 2002, Petrobank Energy and Resources Ltd. ("Petrobank" or the "Company") announced that a special independent committee of its Board of Directors has reached an agreement to repurchase all of the Company's outstanding preferred shares and 85% of the outstanding common share purchase warrants. The effect of the transaction is to repurchase 8.5 million warrants at an effective common share price of $2.04 per share, a 15% discount to the most recent closing price. These transactions will result in an approximate 16% reduction in issued capital compared to what would be the case if all the warrants were exercised and reduce the Company's dividend obligations by $900,000.

   An independent committee of the Petrobank Board, consisting of James D. Tocher, Kenneth R. McKinnon and Louis L. Frank, evaluated various alternatives to simplify Petrobank's capital structure and diminish the potential dilution associated with outstanding securities. On August 23, 2002, the independent committee made a proposal as described above to the holders of the securities, and the proposal was accepted. Petrobank's common shares closed at $2.40 on August 23, and the weighted average closing price over the previous five trading days was $2.17.

Certain members of Petrobank's management and board of directors own the securities to be repurchased, pursuant to an investment made in April 2000. Certain management and directors also own 2,000,000 share purchase warrants. The special independent committee has required that these warrants be exercised by the holders and the holders have confirmed that all 2,000,000 warrants will be exercised providing proceeds of $3 million to the Company.

The securities that will be repurchased represent a right to: (i) exercise 8,475,667 warrants for an equivalent number of common shares on payment of $1.50 per share; (ii) receive a 6% dividend on the preferred shares until March 2005 (totaling $2.3 million); and (iii) receive an additional 8,609,000 common shares upon redemption of the preferred shares.

The Company has agreed to settle each of the above with: (i) a cash payment for 8,475,667 warrants at $0.65 per warrant, the difference between the exercise price of $1.50 and $2.15, or $5.5 million; (ii) $1.4 million to settle the future dividends on the preferred shares, a discount of $0.9 million to the future dividend obligation; and (iii) 8,609,000 common shares in exchange for the preferred shares and the remaining 8,609,000 warrants. The net cost to Petrobank will be $3.9 million, and 2,000,000 common shares.

Petrobank's capital structure following this series of transactions will be 45,083,055 common shares outstanding, 777,720 warrants to purchase an equivalent number of common shares at $2.50 expiring on July 18, 2003, an undrawn credit facility of $40 million, working capital of approximately $22 million, 3,127,034 employee share purchase options and 9% subordinated debt with a face value of $60 million.

The special independent committee believes that this transaction will be beneficial to the common shareholders and that the Company's future plans for development in Colombia and ongoing work in Canada will be adequately funded from remaining cash reserves and available borrowing capacity.

The special independent committee of the board believes this transaction to be in the best interests of the common shareholders of the Company. Each member of the independent committee voted in favour of the transaction. The board of directors unanimously approved this transaction with M. Bruce Chernoff, John D. Wright, Ken C. McCagherty and John A. Brussa abstaining as holders of the affected securities. The independent committee did not obtain a formal valuation of the Company or any of its securities as part of its process. No such independent valuation has been obtained in the preceding 24 months. This transaction does not require an independent valuation or disinterested shareholder vote.

6. Reliance on Confidentiality Provision:

Not Applicable

7. Omitted Information:

Not Applicable

8. Senior Officer:

For further information, please contact James D. Tocher, Chairman of the Board or John D. Wright President and Chief Executive Officer or David J. Rain, C.A., Vice President, Finance and Chief Financial Officer. Telephone: (403) 750-4400 or Facsimile: (403) 266-5794.

9. Statement of Officer:

The foregoing accurately discloses the material change referred to in this report.

DATED effective August 28, 2002 at the City of Calgary, in the Province of Alberta.

(signed) "*David Rain*"
David J. Rain
Vice President, Finance and Chief Financial Officer

cc: the Toronto Stock Exchange