POINT NORTH ENERGY LTD.

FORM 51-102F3

MATERIAL CHANGE REPORT

1. Name and Address of Company

Point North Energy Ltd. ("**Point North**" or the "**Corporation**")
2810, 605 - 5th Avenue SW
Calgary, Alberta
T2P 3H5

2. Date of Material Change

September 27, 2006

3. News Release

On September 27, 2006, the Corporation issued a press release through CNN Matthews distribution services disclosing the nature and substance of the material change.

4. Summary of Material Change

The Court of Queen's Bench of Alberta (the "Court") has granted an initial order (the "Initial Order") to Point North under the *Companies' Creditors Arrangement* ("CCAA"). In connection with the corporation's CCAA proceedings, the Court has authorized Point North to enter into an agreement with Echo Merchant Fund ("Echo") to borrow up to $1.5 million of secured debtor-in-possession financing (the "DIP Financing").

5. Full Description of Material Change

The Court has granted the Initial Order to Point North under the CCAA. In connection with the Corporation's CCAA proceedings, the Court has authorized Point North to enter into the DIP Financing with Echo to borrow up to $1.5 million of secured debtor-in-possession financing. The DIP Financing is expected to be structured as a secured operating line of credit and will be used, with Court approval, by the Corporation for working capital purposes to complete the restructuring of the business and affairs of the Corporation under the CCAA (the "Restructuring"). The Initial Order appoints PricewaterhouseCoopers LLP as the monitor of the business and affairs of Point North (the "Monitor").

After careful consideration of all available alternatives, the Board of Directors of Point North determined that it was in the best interests of the Corporation to commence proceedings under the CCAA. During the restructuring process, Point North will continue normal operations. In addition, Point North will continue to evaluate all opportunities to strengthen its balance sheet and enhance operating cash flow, including its previously announced pursuit of strategic alternatives with the assistance of Sayer Energy Advisors.

The following summary of the material terms of the Initial Order is qualified in its entirety by reference to the full text of the Initial Order **(a copy of which is attached as Schedule "A" to this Material Change Report)**.

Plan of Arrangement

Point North is authorized and permitted to file and submit to creditors one or more plans of compromise or arrangement under CCAA (collectively, the "Plan").

Stay of Proceedings

Until and including October 25, 2006 or such later date as the Court may order (the "Stay Date", and the period from the date of the Initial Order to the Stay Date being referred to as the "Stay Period"), no proceedings shall be commenced or continued by any person against or in respect of Point North or any of its property, and all proceedings already commenced against or in respect of Point North or any of its property are stayed and suspended and the continuation thereof is restrained unless the prior written consent of Point North and the Monitor is obtained or leave of the Court is granted.

During the Stay Period, all persons having agreements or other arrangements with Point North or in connection with any of its property may not (a) accelerate, terminate, or otherwise modify or interfere with the arrangements or exercise any remedy provided for therein; or (b) modify, discontinue or interfere with the supply of any good or service under any arrangement; and shall continue to perform and observe the terms and conditions contained in such agreements or other arrangements unless the prior written consent of Point North and the Monitor is obtained or the leave of the Court is granted.

To the extent any rights or obligations, or time or limitation periods relating to Point North or any of its property may expire or terminate with the passage of time, the term of such rights or obligations or time or limitation periods shall be deemed to be extended by a period equal to the Stay Period.

Directors and Officers

No person may commence or continue any proceeding against a former, present or future director or officer of the Corporation in respect of any claim against a director or officer that arose before the date of the Initial Order and that relates to obligations of Point North where such director or officer is or is alleged to be, under any law, liable in his or her capacity as such for the payment of such obligations until further order of the Court or until the Plan, if one is filed, is sanctioned by the Court or is refused by the creditors of the Corporation or the Court.

No person shall commence or continue any proceeding against any of the directors, officers, employees, legal counsel or financial advisers of Point North, or the Monitor, for or in respect of the Restructuring or the creation and implementation of the Plan without first obtaining leave of the Court, upon seven days' written notice to Point North's counsel of record and to all those referred to in this paragraph whom it is proposed be named in such proceedings.

Property and Business of Point North

Point North shall remain in possession of its property until further order of the Court in the Corporation's CCAA proceedings. Point North shall continue to carry on business, in a manner consistent with the commercially reasonable preservation of the property and the business of the Corporation, except as otherwise specifically authorized or directed by the Initial Order or any further order of the Court in the Corporation's CCAA proceedings.

Point North is authorized to continue to retain or employ any employees, agents, servants, solicitors, advisers and consultants who are retained or employed as of the date of the Initial Order, with liberty to retain or employ such further employees, agents, servants, solicitors, auditors, advisers and consultants as Point North deems necessary or desirable to carry on its businesses, to carry out the terms of the Initial Order or for the purposes of the Plan.

Point North shall be entitled to pay all reasonable costs and expenses incurred by it in carrying on its business prior to and after the date of the Initial Order and in carrying out the provisions of the Initial Order, in each case when due and payable, which costs and expenses may include:

(a) the cost of goods and services actually supplied to Point North;

(b) all outstanding and future amounts accruing due to current, former or future employees, officers or directors or individuals that provide or have provided services to Point North as individual contractors, and any statutory severance pay;

(c) all outstanding and future fees and disbursements of the Monitor, the Monitor's and Point North's respective legal counsel;

(d) all outstanding and future fees and disbursements of any financial and other advisers retained by Point North in respect of the Corporation's CCRA proceedings including Sayer Energy Advisors;

(e) all outstanding and future premiums on existing or future directors' and officers' liability insurance, including, without limitation, any premiums in connection with any extended reporting period; and

(f) all expenses and capital expenditures incurred after the date of the Initial Order in the ordinary course of business or necessary for environmental compliance or to preserve the property or the business of Point North.

provided that Point North shall only pay costs and expenses that were incurred before the date of the Initial Order with the approval of the Monitor or upon further order of the Court in respect of the Corporation's CCAA proceedings.

Restructuring

To facilitate the Restructuring, Point North shall have the right to:

(a) cease, downsize or shut down any of its operations or locations as it deems appropriate and make provision for the consequences thereof in the Plan;

(b) pursue all avenues to market and sell all or material parts of the property of Point North in whole or part;

(c) sell, convey, transfer, assign, lease, or in any other manner dispose of the property of the Corporation or any part or parts thereof:

(i) in the ordinary course of business without the specific approval of the Court;

(ii) out of the ordinary course of business without the specific approval of the Court but with the Monitor's approval, provided that sale or transaction price in each case does not exceed $1 million or $2 million in the aggregate; and

(iii) otherwise, subject to prior approval of the Court;

(d) terminate the employment of employees or temporarily or permanently lay off employees as it deems appropriate and, to the extent any amount owing in respect thereof is not paid in the ordinary course as Point North may in its discretion determine (including, without limitation, amounts on account of notice, termination or severance pay), to make provision for any consequences thereof in the Plan;

(e) repudiate such of its respective arrangements or agreements of any nature whatsoever, whether oral or written, as it deems appropriate on such terms as may be agreed between Point North and the relevant counter-party, or failing such agreement to make provision for the consequences thereof in the Plan and to negotiate any new or replacement agreements or arrangements; and

(f) settle claims of customers and suppliers that are in dispute, with the approval of the Monitor.

Point North is permitted in the course of its CCAA proceedings to disclose personal information of identifiable individuals in its possession or control to stakeholders or prospective investors, financiers, buyers or strategic partners and to their advisers (each individually, a "Third Party"), to the extent desirable or required to negotiate and complete the Restructuring or the preparation and implementation of the Plan or a transaction in furtherance thereof, provided that the persons to whom such personal information is disclosed enter into confidentiality agreements with Point North, binding them to maintain and protect the privacy of such information and to limit the use of such information to the extent necessary to complete the transaction or Restructuring then under negotiation. Upon the completion of the use of personal information for the limited purpose set out herein, the personal information shall be returned to Point North or destroyed.

DIP Financing

Point North is authorized and empowered to borrow, and execute and deliver all documentation in connection with the DIP Financing to fund the ongoing operations, capital expenditures and working capital for the preservation of the assets of the Corporation and to pay such other amounts as are permitted by the terms of the Initial Order. No funds shall be drawn pursuant to the DIP Financing before October 25, 2006, to permit any interested party to make submissions regarding the priority of the charge in respect of the DIP Financing at the application to extend the initial Stay Period.

Echo or such other party as shall extend the DIP Financing shall have a charge and security interest (the "DIP Charge") over all of the property of the Corporation in priority to all other creditors of the Corporation, including any other encumbrance, lien, security or security interest now outstanding, including all interest, fees, charges and other amounts in respect thereof, to secure all amounts owing by the Corporation, including principal and interest and the performance of all obligations of the Corporation under the DIP Financing.

Indemnities

In addition to any existing indemnities, the Corporation shall indemnify each of the directors of the Corporation and each person who in the future is requested by the Corporation to act as a director, and who is acting or does act or is deemed or treated by applicable legislation to be acting as a director, officer or person of a similar position (a "Responsible Person") from and against the following (collectively, "D&O Claims"):

(a) all costs, charges, expenses, claims, liabilities and obligations of any nature whatsoever which may arise as a result of any sale of all or part of the property of the Corporation, the Plan, his or her association with the Corporation as a director or Responsible Person in each case on or after the date hereof provided that such director or Responsible Person (i) acted honestly and in good faith with a view to the best interests of the Corporation and (ii) in the case of a criminal or administrative action or proceeding that is enforced by monetary penalty, such director or Responsible Person had reasonable grounds for believing his or her conduct was lawful) except to the extent that such director or Responsible Person has actively participated in the breach of any related fiduciary duties or has been grossly negligent or guilty of wilful misconduct; and

(b) certain costs charges, expenses, time to make payments as more specifically described in the Initial Order or to pay amounts in respect of employee or former employee entitlements to wages, vacation pay, termination pay, severance pay, pension or other benefits or any other amount for services performed, whether incurred or accruing prior to, on or after the date of the Initial Order and that he or she sustains or incurs by reason of or in relation to his or her association with Point North as a director or Responsible Person (as the case may be), except to the extent that such director or Responsible Person has actively participated in the breach of any related fiduciary duties or has been grossly negligent or guilty of wilful misconduct.

As security for the obligation of the Corporation to indemnify the directors and Responsible Persons, the directors and Responsible Persons are granted a charge and security interest in the property of the Corporation.

The Monitor

The Monitor is appointed as officer of the Court to monitor the business and affairs of the Corporation with the powers and duties set out in the Initial Order and in the CCAA until discharged by the Court. In addition to any other duties the Monitor may have, the Monitor shall:

(a) send notice of the making of the Initial Order, within 10 days after the date hereof, to every known creditor of the Corporation having a claim of more than $250 against it advising that such creditor may obtain a copy of the Initial Order on the internet at the website of the Monitor and if such creditor is unable to obtain it by that means, such creditor may request a copy from the Monitor and the Monitor shall so provide it;

(b) assist the Corporation, to the extent required by the Corporation, in dealing with its creditors and other interested persons during the Stay Period;

(c) assist the Corporation, to the extent required by the Corporation, with the preparation of cash flow projections and any other projections or reports and the development, negotiation and implementation of the Plan;

(d) advise and assist the Corporation, to the extent required by the Corporation, in reviewing the Corporation's businesses and assessing opportunities for cost reduction, revenue enhancement and operating efficiencies;

(e) assist the Corporation, to the extent required by the Corporation, with the Restructuring, in efforts to sell, convey, transfer, assign, lease or in any other manner dispose of the property of the Corporation or any part or parts thereof, and in their negotiations with their respective creditors and other interested persons and with the holding and administering of any meetings held to consider the Plan;

(f) report to the Court on the state of the businesses and financial affairs of the Corporation or developments in these proceedings or any related proceedings at such times as required by the CCAA and at such other times as considered appropriate by the Monitor or as the Court may order;

(g) report to the Court and interested parties, including but not limited to affected creditors pursuant to the Plan, with respect to the Monitor's assessment of, and recommendation in respect of, the Plan; and

(h) perform such other duties as are required by the Initial Order, the CCAA or the Court from time to time.

The Monitor shall not otherwise interfere with the business carried on by the Corporation, and the Monitor is not empowered to take possession of the property of the Corporation nor to manage any of the business or affairs of the Corporation.

The Corporation shall pay the fees and disbursements of each of the Monitor, the Monitor's legal counsel, the Corporation's legal counsel and the Corporation's financial and other advisers, whether incurred before or after the making of the Initial Order, and shall provide each with a reasonable retainer on account of such fees and disbursements if so requested.

The Monitor, counsel to the Monitor and the Corporation's legal counsel, as security for the professional fees and disbursements incurred both before and after the making of the Initial Order in respect of the Corporation's proceedings, general corporate and litigation matters, the Plan and the Restructuring in accordance with the provisions of the Initial Order, shall be entitled to the benefit of and are granted a lien on, mortgage and hypothec of, and security interest in the property of the Corporation.

6. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

7. Omitted Information

No material information has been omitted from this report.

8. Executive Officer

For further information, please contact Mr. John Emery, President and Chief Executive Officer, at (403) 269-5803.

9. Date of Report

DATED at Calgary, Alberta this 6th day of October, 2006.

SCHEDULE "A"

[I h]ereby certify this to be a true copy of the original ... Order ... Dated this 27 day of Sept 06 for Clerk of the Court

Action No. 0601-11260

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF POINT NORTH ENERGY LTD.

APPLICANTS

BEFORE THE HONOURABLE	)	AT THE COURTHOUSE, IN THE CITY
S.J. LOVECCHIO	)	OF CALGARY, IN THE PROVINCE OF
IN CHAMBERS	)	ALBERTA, ON WEDNESDAY, THE 27th
	)	DAY OF SEPTEMBER, 2006.

INITIAL ORDER

UPON the ex-parte application of Point North Energy Ltd. (the "Applicant" or "Point North"); AND UPON having read (i) the Petition, (ii) the Affidavit of John Emery sworn September 26, 2006, filed, and the exhibits thereto, including the projected cash flow statement and the financial statements for the past year of the Applicant (the "Emery Affidavit"), and (iii) the consent of PricewaterhouseCoopers Inc. (the "Monitor") to act as monitor as contemplated hereunder, all filed; on hearing the submissions of counsel for the Applicant and the Monitor, on being advised that none of the other persons who might be interested in these proceedings was served with notice of this Application; and on being satisfied that circumstances exist that make the granting of this Order appropriate:

IT IS HEREBY ORDERED AND DECLARED THAT

Service

1. The time for service of the Petition herein and this Application be and it is hereby abridged and that this Application is properly returnable today and further that service thereof

upon any interested party other than the persons served with the Petition and the Emery Affidavit is hereby dispensed with.

Application of the CCAA

2. The CCAA applies to the Applicant.

Plan of Arrangement

3. The Applicant shall have exclusive authority to prepare and file, and is hereby authorized and permitted to file, with this Court and submit to creditors one or more plans of compromise or arrangement under the CCAA (collectively, the "Plan") between the Applicant and one or more classes of their respective creditors as the Applicant deem appropriate on or before the Stay Date (as subsequently defined) or such other time or times as may be allowed by this Court.

Stay of Proceedings

4. Until and including October 25, 2006 or such later date as the Court may order (the "Stay Date", and the period from the date hereof to the Stay Date being referred to as the "Stay Period"), no suit, complaint, action, grievance, arbitration, application, proceeding, enforcement process, right or remedy (judicial or extra judicial, statutory or non-statutory) shall be commenced, proceeded with or continued (collectively, the "Proceedings") by any person, firm, corporation, government, administrative or regulatory body or other entity or organization (including, without limitation, any former, existing or future or related shareholders, creditors (whether related, affiliated or otherwise), customers, suppliers, employees, pensioners, unions, regulators, contracting parties, lessors, licensors, co-venturers or partners of any of the Applicants) (collectively, "Persons" and individually a "Person") against or in respect of any of:

(a) the Applicant; or

(b) any of the present or future property, assets, rights, undertaking, estate and effects of any nature of any of the Applicant wheresoever located, and whether held directly or indirectly, as principal or nominee, beneficially or otherwise (collectively, the "Property"), and all Proceedings already commenced against or in respect of the Applicant or any of the Property are hereby stayed and suspended and the continuation thereof is restrained unless the prior written consent of the applicable Applicant and the Monitor is obtained or leave of this Court is granted.

5. During the Stay Period, the right of any Person:

(a) to commence or continue realization steps or proceedings in respect of any security interest, encumbrance, lien, charge, mortgage or other security held in relation to, or any trust attaching to, any of the Property (including, without limitation, the right of any Person to take any step in asserting or perfecting any right or interest therein or to exercise any right of registration of securities, lien, distress, seizure, repossession, revendication, stoppage in transit, foreclosure or sale); and

(b) to assert, enforce or exercise any right, option or remedy available to it arising by law, under any agreement or otherwise (including, without limitation, any right under section 224(1.2) of the *Income Tax Act* (Canada) or substantially similar provision under provincial law (subject to section 11.4 of the CCAA); any right of dilution, buy-out, divestiture, forced sale, demand, acceleration, termination, suspension, modification, cancellation, set-off or consolidation of accounts; any right of first refusal; any right to give notice of assignment of a claim; or any right to revoke any qualification or registration), against or in respect of any of the Applicant or any of the Property or arising out of, relating to or triggered by the occurrence of any default or non-performance by or the insolvency of the Applicant, the making or filing of these proceedings or any allegation, admission or evidence in these proceedings,

is hereby stayed and restrained unless the prior written consent of the Applicant and the Monitor is obtained or leave of this Court is granted.

6. Without limiting the generality of paragraphs 4 and 5 but subject to the provisions of paragraph 9 hereof, cash or cash equivalents placed on deposit by the Applicant with any Person during the Stay Period, whether in an operating account or otherwise and whether for its own

account or for the account of any other entity, shall not be applied by such Person in reduction or repayment of amounts owing to such Person as of the date of this Order or which may become due on or before the expiry of the Stay Period or in satisfaction of any interest or charges accruing in respect thereof, provided that nothing in this paragraph 6 shall prevent any financial institution from: (i) reimbursing itself for the amount of any cheques drawn by an Applicant and properly honoured by the financial institution, or (ii) holding the amount of any cheques or other instruments deposited into an Applicant's account until those cheques or other instruments have been honoured by the financial institution on which they have been drawn.

7. Subject to the provisions of paragraph 9 hereof, during the Stay Period, all Persons having agreements or other arrangements with the Applicant or in connection with any of the Property, whether written or oral (including, without limitation, contracts for the supply of goods or services to or by the Applicant, insurance policies, partnership agreements, joint venture agreements, tolling agreements, operating agreements, outsourcing agreements, commercial leases, equipment leases and licences):

(a) are hereby restrained from accelerating, terminating, cancelling, suspending, withdrawing, failing to renew or extend on reasonable terms, modifying or otherwise interfering with such agreements or other arrangements or the rights of the Applicant, or exercising any other remedy provided for under such agreements or arrangements, including without limitation any licences, permits, approvals or consents in respect of the Applicant or in connection with such Property, and without limitation to the foregoing, the operation of any provision of any such agreement or other arrangement that purports to accelerate, terminate, cancel, suspend or modify such agreement or arrangement as a result of the occurrence of any default or non-performance by or the insolvency of the Applicant, the making or filing of these proceedings or any allegation, admission or evidence in these proceedings is hereby stayed and restrained;

(b) are hereby restrained from modifying, discontinuing or otherwise interfering with the supply of any good, service, or other benefit by or to such Person thereunder (including, without limitation, any modification of, discontinuance of or interference with any telephone numbers, any directors' and officers' insurance, any form of telecommunications service or any oil, gas, electricity or other utility supply); and

(c) shall continue to perform and observe the terms and conditions contained in such agreements or other arrangements (including, without limitation, the payment of all sums to be paid in respect of services performed or to be performed by the Applicant, so long as the Applicant pays the normal prices or charges for such goods and services received after the date of this Order as such prices or charges become due in accordance with present payment practices or as may be hereafter negotiated (other than deposits, stand-by fees or similar items which the Applicant shall not be required to pay), unless the prior written consent of the Applicant and the Monitor is obtained or the leave of this Court is granted.

8. During the Stay Period, no landlord of the Applicant shall:

(a) exercise any right to terminate or accelerate rent due under a lease with the Applicant;

(b) interfere with the quiet possession of real property by such Applicant;

(c) exercise any right of distraint, or take possession of any premises leased to the Applicant unless those premises have been abandoned by the Applicant;

(d) interfere with the removal of inventory, chattels and equipment from premises leased by such Applicant; or

(e) hinder in any way the orderly liquidation of any Property from premises leased by the Applicant,

all subject to paragraph 9 hereof and the obligation, if any, of the Applicant to pay occupation rent for the period commencing with the date of this Order and while the Applicant enjoys actual occupation of leased premises, at the presently payable rental rate calculated on a *per diem* basis, or otherwise as may be negotiated by the Applicant from time to time.

9. Notwithstanding paragraphs 4 to 8 hereof:

(a) in the case of agreements for the supply of goods, services, the use of leased or licensed property or other valuable consideration to the Applicant, no Person is prohibited, solely by the terms of this Order, from requiring immediate payment for any goods, services, use of leased or licensed property or other valuable consideration to be provided to the Applicant after the date of this Order;

(b) no Person is required, solely by the terms of this Order, to make further advances of money or credit to the Applicant;

(c) no Person is prohibited, solely by the terms of this Order, from commencing or continuing any action, suit or proceeding against any person other than the Applicants;

(d) no Person is prohibited, solely by the terms of this Order, from exercising any right to terminate, amend or claim any accelerated payment under an "eligible financial contract" (as that term is defined in section 11.1 of the CCAA) and, for greater certainty, when an eligible financial contract entered into before the date of this Order is terminated on or after the date of this Order, the setting off of obligations between the Applicant and the Person (as parties thereto) in accordance with the provisions of the eligible financial contract and the CCAA is permitted but paragraphs 4 to 8 of this Order will apply to restrain any step or proceeding against such Person in respect of a claim for any "net termination value" (as defined in section 11.1 of the CCAA) owing to the Person); and

(e) no Person is prohibited, solely by the terms of this Order, from exercising such rights of set-off as are permitted under section 18.1 of the CCAA.

10. To the extent any rights or obligations, or time or limitation periods relating to the Applicant or any of the Property may expire or terminate with the passage of time (other than the term of any lease of real property), the term of such rights or obligations or time or limitation periods shall hereby be deemed to be extended by a period equal to the Stay Period and, without limitation to the foregoing, in the event that the Applicant becomes bankrupt or a receiver within the meaning of section 243(2) of the *Bankruptcy and Insolvency Act* (Canada) (the "BIA") is appointed in respect of the Applicant, the period between the date of this Order and the day on

which the Stay Period in respect of the Applicant ends shall not be calculated in determining the 30-day periods referred to in sections 81.1 and 81.2 of the BIA.

11. No Person may commence or continue any action, suit or other proceeding against any former, present or future director or officer of the Applicant or any other person by applicable legislation that is deemed to be or is treated similar to a director of the Applicant or that presently or in the future manages the business and affairs of the Applicant (each, a "Director", and collectively the "Directors") in respect of any claim against such Director that arose before the commencement of these proceedings and that relates to obligations of the Applicant where such Director is or is alleged to be, under any law, liable in his or her capacity as such for the payment of such obligations until further order of this Court or until the Plan, if one is filed, is sanctioned by the Court or is refused by the creditors or the Court.

12. No Person shall commence or continue any proceeding against any of the directors, officers, employees, legal counsel or financial advisers of the Applicant, or the Monitor, for or in respect of the Restructuring (as defined herein) or the creation and implementation of the Plan without first obtaining leave of this Court, upon seven days' written notice to the Applicant's counsel of record and to all those referred to in this paragraph whom it is proposed be named in such proceedings.

13. From 12:01 o'clock a.m. (Calgary time) on the date of this Order (the "Effective Time") to the time of the granting of this Order, any act or action taken or notice given by any Person in furtherance of its rights to commence or continue realization or take or enforce any other step or remedy in respect of the Applicant, the Directors (to the extent such act, action taken or notice given would otherwise be stayed by paragraphs 4 through 8 if it occurred after the making of this Order) or the Property, will be deemed not to have been taken or given as the case may be.

Possession of Property and Carrying on Business

14. Subject to the terms of this Order, the Applicant shall remain in possession of the Property until further order in these proceedings.

15. The Applicant shall continue to carry on business, including the business of any person, firm, joint venture or corporation owned by the Applicant in a manner consistent with the

commercially reasonable preservation of the Property and the businesses, except as otherwise specifically authorized or directed by this Order or any further order in these proceedings.

16. Without limitation to paragraph 15 hereof, the Applicant is authorized to continue to retain or employ any employees, agents, servants, solicitors, advisers and consultants who are retained or employed as of the date of this Order, with liberty to retain or employ such further employees, agents, servants, solicitors, auditors, advisers and consultants as the Applicant deems necessary or desirable to carry on its businesses, to carry out the terms of this Order or for the purposes of the Plan.

17. The Applicant shall remit, in accordance with legal requirements, or pay when due:

(a) any statutory deemed trust amounts in favour of the Crown in Right of Canada or of any Province or Territory thereof or any foreign jurisdiction which are required to be deducted from employees' wages including, without limitation, amounts in respect of employment insurance, Canada Pension Plan and income taxes;

(b) amounts accruing and payable by an Applicant in respect of employment insurance, Canada Pension Plan, workers compensation, employer health taxes and similar obligations of any jurisdiction with respect to employees; and

(c) all goods and services taxes and all provincial or other applicable sales taxes payable or collectable by the Applicant in connection with the sale of goods and services by the Applicant.

18. From and after the date of this Order, the Applicant shall be entitled to pay all reasonable costs and expenses incurred by it in carrying on its business prior to and after the date of this Order and in carrying out the provisions of this Order, in each case when due and payable, which costs and expenses may include, without limitation:

(a) the cost of goods and services actually supplied to the Applicant;

(b) all outstanding and future wages, salaries, commissions, vacation pay, bonuses, pension and other benefits, reimbursement of expenses (including, without limitation, amounts charged by employees to credit cards) and other amounts accruing due to current, former or future employees, officers or directors or individuals that provide or have provided services the Applicant as individual contractors, and any statutory severance pay;

(c) all outstanding and future contributions to or payments in respect of any pension or benefit plans sponsored by the Applicant;

(d) all outstanding and future fees and disbursements of the Monitor, the Monitor's and the Applicant's respective legal counsel;

(e) all outstanding and future fees and disbursements of any financial and other advisers retained by the Applicant in respect of these proceedings including Sayer Energy Advisors;

(f) all outstanding and future fees and disbursements of the Applicant's directors;

(g) without limitation to paragraph 17, all outstanding and future priority claims of the federal or provincial Crown or a municipality in respect of the Applicant or any of the Property which may have priority over any security held by other Persons, including, without limitation, amounts owing in respect of provincial sales taxes, federal goods and services taxes, income tax source deductions and other analogous withholdings, Canada Pension Plan, and Quebec Pension Plan and employment insurance contributions, employer health taxes, obligations to any workers' compensation authority, obligations in respect of any provincial or federal environmental legislation, gross receipts taxes, and realty or excise or other taxes;

(h) all outstanding and future premiums on existing or future directors' and officers' liability insurance, including, without limitation, any premiums in connection with any extended reporting period;

(i) rent and other payments required pursuant to any leases of real property under existing arrangements in respect of the period after the date of this;

(j) all outstanding and future amounts due from the Applicant under any charge, debit or credit card arrangements, including, without limitation, arrangements with American Express, MasterCard or Visa;

(k) all expenses and capital expenditures incurred after the date of this Order in the ordinary course of business or necessary for environmental compliance or to preserve the Property or the business of the Applicant, including, without limitation, payments on account of service, maintenance, repairs, insurance and security;

(l) principal, interest and other payments to holders of security in respect of any of the Property if the amount secured by such security is, in the reasonable opinion of the Applicant with the concurrence of the Monitor, less than or equal to the fair value of such security after having regard to, among other things, the priority of such security; and

(m) any other amounts the payment of which is provided for by the terms of this Order,

provided that, unless provided in subparagraphs (a) to (m) listed above, the Applicant shall only be entitled (but not required) to pay costs and expenses that were incurred before the date of this Order with the approval of the Monitor or upon further order in these proceedings.

Restructuring

19. To facilitate the orderly restructuring of its respective businesses and affairs (the "Restructuring"), the Applicant shall have the right to:

(a) cease, downsize or shut down any of its respective operations or locations as they it deem appropriate and make provision for the consequences thereof in the Plan;

(b) pursue all avenues to market and sell (subject to paragraph 19(c)), all or material parts of the Property of the Applicant in whole or part;

(c) sell, convey, transfer, assign, lease, or in any other manner dispose of the Property or any part or parts thereof:

(i) in the ordinary course of business without the specific approval of the Court;

(ii) out of the ordinary course of business without the specific approval of the Court but with the Monitor's approval, provided that sale or transaction price in each case does not exceed $1 million or $2 million in the aggregate; and

(iii) otherwise, subject to prior approval of the Court;

(d) terminate the employment of employees or temporarily or permanently lay off employees as it deems appropriate and, to the extent any amounts owing in respect thereof is not paid in the ordinary course as the Applicant may in its discretion determine (including, without limitation, amounts on account of notice, termination or severance pay), to make provision for any consequences thereof in the Plan;

(e) subject to paragraphs 21 and 22, vacate or abandon any leased real property and/or repudiate any lease and ancillary agreements related to any leased premises as it deems appropriate, provided that the Applicant gives the relevant landlord at least seven (7) days' prior written notice, on such terms as may be agreed between the Applicant and such landlord, or failing such agreement to make provision for any consequences thereof in the Plan;

(f) repudiate such of its respective arrangements or agreements of any nature whatsoever, whether oral or written, as it deems appropriate on such terms as may be agreed between the Applicant and the relevant counter-party, or failing such agreement to make provision for the consequences thereof in the Plan and to negotiate any new or replacement agreements or arrangements; and

(g) settle claims of customers and suppliers that are in dispute, with the approval of the Monitor.

20. Any sale of Property made pursuant to paragraph 19(c) of this Order shall be deemed not to be a sale in bulk and shall be exempt from the application of, and deemed not to be in contravention of any laws of any Province of Canada prohibiting, restricting or regulating the sale of such Property.

21. If leased premises are vacated or abandoned by the Applicant pursuant to paragraph 19(e), the relevant landlord shall be entitled to take possession of any such leased premises without waiver of, or prejudice to, any claims or rights of such landlord against the Applicant in respect of the vacating or abandoning of such leased premises, and such landlord shall be entitled to notify the Applicant of the basis on which it is taking possession and gain possession of and release any such leased premises to third parties on such terms as any such landlord may determine, subject to such landlord's obligation, if any, to mitigate any damages claimed in connection therewith.

22. The Applicant shall provide to any relevant landlord notice of its intention to remove any fixtures or leasehold improvements at least seven (7) days prior to the date of intended removal from any leased premises vacated or abandoned by the Applicant. The relevant landlord shall be entitled to have a representative present at the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any item under the provisions of the lease, such items shall remain on the premises and shall be dealt with as agreed to between the landlord and the Applicant or by further order of this Court on five (5) days' notice. If the Applicant has otherwise vacated the leased premises, it shall not be considered to be in occupation of the location pending resolution of any such dispute.

23. Pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c.5, the Applicant is permitted in the course of these proceedings to disclose personal information of identifiable individuals in their possession or control to stakeholders or prospective investors, financiers, buyers or strategic partners and to their advisers (individually, a "Third Party"), to the extent desirable or required to negotiate and complete the Restructuring or the preparation and implementation of the Plan or a transaction in furtherance thereof, provided that the Persons to whom such personal information is disclosed enter into confidentiality agreements with the Applicant, binding them to maintain and protect the privacy of such information and to limit the use of such information to the extent necessary to complete

the transaction or Restructuring then under negotiation. Upon the completion of the use of personal information for the limited purpose set out herein, the personal information shall be returned to the Applicant or destroyed. In the event that a Third Party acquires personal information as part of the Restructuring or the preparation and implementation of the Plan or a transaction in furtherance thereof, such Third Party shall be entitled to continue to use the personal information in a manner which is in all material respects identical to the prior use of such personal information by the Applicant.

Financing and Banking Services

24. The Applicant shall be entitled to continue to utilize its banking arrangements currently in place with any financial institution with whom it has or may in the future have banking arrangements, and that any present or future bank providing banking arrangements shall:

(a) not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under such banking arrangements, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the banking arrangements;

(b) be entitled to provide the banking arrangements without any liability, whether statutory, contractual, trust, proprietary or otherwise, in respect thereof to any person, corporation or other entity whatsoever, other than the Applicant pursuant to the terms of the documentation applicable to the banking arrangements; and

(c) be, in its capacity as provider of the banking arrangements, an unaffected creditor with regard to any claims or expenses it may suffer or incur in connection with the provision of the banking arrangements.

25. Without limiting the generality of paragraph 6 hereof, all banks and financial institutions at which the Applicant maintains a bank account are hereby restrained from stopping, withholding, redirecting or otherwise interfering with any amount in such account(s) or setting off (subject to paragraph 9(e) hereof) or applying such amounts against any indebtedness owing to that bank or financial institution by the Applicant, or from discontinuing, failing to renew on

terms no more onerous than those existing prior to these proceedings, altering, interfering with or terminating such banking arrangements.

26. Notwithstanding any other provision of this Order, the Applicant be and is hereby authorized to borrow, repay and reborrow from its existing lenders, with the approval of the Monitor, such amounts from time to time as it considers necessary or desirable.

DIP Financing Charge

27. The Applicant is hereby authorized and empowered to borrow, and execute and deliver all documentation in connection with that borrowing, from Echo Merchant Fund ("Echo") (the "CCAA Lender"), money pursuant to a credit facility on terms substantially in accordance to the term sheet appended to the Affidavit of John Emery as Exhibit "E" (the "CCAA Credit Facility") up to the principal sum of $1,500,000 (CAD) to fund the ongoing operations, capital expenditures and working capital for the preservation of the Assets and to pay such other amounts as are permitted by the terms of this Order. No funds shall be drawn pursuant to the CCAA Credit Facility before October 25, 2006, to permit any interested party to make submissions regarding the priority of the DIP Charge in the DIP Financing at the application to extend the initial Stay Period. SJL ~~The CCAA Lender term sheet being Exhibit "E" to the Affidavit of John Emery filed in support of this application shall be sealed on the Court file and not be disclosed except by counsel for the Applicant to an interested party on appropriate confidentiality terms, or by further Order of this Court.~~ SJL

28. The CCAA Lender shall have a charge and security interst (the "DIP Charge") over all of the Property in priority to all other creditors of the Applicant, including any other encumbrance, lien, security or security interest now outstanding, including all interest, fees, charges and other amounts in respect thereof, to secure all amounts owing by the Applicant, including principal and interest and the performance of all obligations of the Applicant under the CCAA Credit Facility.

29. Notwithstanding any other provision of this Order:

(a) the CCAA Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Charge or any interest created under the CCAA Credit Facility;

(b) upon the occurrence of an event of default under the CCAA Credit Facility or the DIP Charge, the CCAA Lender, upon seven days notice to the Applicant and the Monitor, may: (A) exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the CCAA Credit Facility and the DIP Charge, including without limitation, to cease making advances to the Applicant and set off and/or consolidate any amounts owing by the CCAA Lender to the Applicant against the obligations of the Applicant to the CCAA Lender under the CCAA Credit Facility or the DIP Charge, to make demand, accelerate payment and give other notices, and be entitled to seize and retain proceeds from the sale of the Property and the cash flow of the Applicant to repay amounts owing to the CCAA Lender in accordance with the CCAA Credit Facility and the DIP Charge; (B) apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and for the appointment of a trustee in bankruptcy of the Applicant; and may (C) require the Applicant to cease making any payments otherwise authorized by this Order, as may be amended from time to time; and

(c) the foregoing rights and remedies of the CCAA Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.

30. The CCAA Lender shall be treated as unaffected in any claims process, plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the BIA, with respect to any advances made under the CCAA Credit Facility.

Directors and Officers Indemnification and Charge

31. In addition to any existing indemnities, the Applicant shall indemnify each of the Directors and each Person who in the future is requested by the Applicant to act as a director, and who is acting or does act or is deemed or treated by applicable legislation to be acting as a director, officer or person of a similar position (a "Responsible Person") from and against the following (collectively, "D&O Claims"):

(a) all costs (including, without limitation, full defence costs), charges, expenses, claims, liabilities and obligations of any nature whatsoever which may arise as a result of any sale of all or part of the Property, the Plan, his or her association with the Applicant as a Director or Responsible Person in each case on or after the date hereof (including, without limitation, an amount paid to settle an action or satisfy a judgment in a civil, criminal, administrative or investigative action or proceeding to which such Director or Responsible Person may be made a party by reason of being or having been a Director or Responsible Person (as the case may be), provided that such Director or Responsible Person (i) acted honestly and in good faith with a view to the best interests of such Applicant and (ii) in the case of a criminal or administrative action or proceeding that is enforced by monetary penalty, such Director or Responsible Person had reasonable grounds for believing his or her conduct was lawful) except to the extent that such Director or Responsible Person has actively participated in the breach of any related fiduciary duties or has been grossly negligent or guilty of wilful misconduct; and

(b) all costs (including without limitation, full defence costs), charges, expenses, claims, liabilities and obligations relating to the failure of the Applicant at any time to make payments of the nature referred to in paragraphs 17 or 18(b), (c) or (f) of this Order or to pay amounts in respect of employee or former employee entitlements to wages, vacation pay, termination pay, severance pay, pension or other benefits or any other amount for services performed, whether incurred or accruing prior to, on or after the date of this Order and that he or she sustains or incurs by reason of or in relation to his or her association with the Applicant as a Director or Responsible Person (as the case may be), except to the extent that such Director or Responsible Person has actively participated in the breach of any related fiduciary duties or has been grossly negligent or guilty of wilful misconduct,

provided that the foregoing shall not constitute a contract of insurance and shall not constitute other valid and collectible insurance as such term may be used in any existing policy of insurance issued in favour of any of the Applicant or any of the Directors or Responsible Persons.

32. As security for the obligation of the Applicant to indemnify the Directors and Responsible Persons pursuant to paragraph 31, the Directors and Responsible Persons be and they are hereby granted a charge and security interest in the property of the Applicant (the "D&O Charge"), having the priority established by paragraphs 40 and 41. Such D&O Charge shall not constitute or form a trust. Such D&O Charge, notwithstanding any language in any applicable policy of insurance to the contrary, shall only apply to the extent that the Directors and Responsible Persons do not have coverage under the provisions of any applicable directors' and officers' insurance which shall not be excess insurance to the D&O Charge.

Appointment and Powers of the Monitor

33. The Monitor be and it is hereby appointed as officer of this Court to monitor the businesses and affairs of the Applicant with the powers and duties set out herein and in the CCAA until discharged by this Court, and that the Monitor shall:

(a) send notice of the making of this Order, within 10 days after the date hereof, to every known creditor of the Applicant having a claim of more than $250 against it advising that such creditor may obtain a copy of this Order on the internet at the website of the Monitor (the "Website") and if such creditor is unable to obtain it by that means, such creditor may request a copy from the Monitor and the Monitor shall so provide it. Such notice shall be sufficient to comply with subsection 11(5) of the CCAA;

(b) assist the Applicant, to the extent required by the Applicant, in dealing with its creditors and other interested Persons during the Stay Period;

(c) assist the Applicant, to the extent required by the Applicant, with the preparation of cash flow projections and any other projections or reports and the development, negotiation and implementation of the Plan;

(d) advise and assist the Applicant, to the extent required by the Applicant, in reviewing the Applicant's businesses and assessing opportunities for cost reduction, revenue enhancement and operating efficiencies;

(e) assist the Applicant, to the extent required by the Applicant, with the Restructuring, in efforts to sell, convey, transfer, assign, lease or in any other manner dispose of the Property or any part or parts thereof, and in their negotiations with their respective creditors and other interested Persons and with the holding and administering of any meetings held to consider the Plan;

(f) report to the Court on the state of the businesses and financial affairs of the Applicant or developments in these proceedings or any related proceedings at such times as required by the CCAA and at such other times as considered appropriate by the Monitor or as the Court may order;

(g) report to the Court and interested parties, including but not limited to affected creditors pursuant to the Plan, with respect to the Monitor's assessment of, and recommendation in respect of, the Plan;

(h) be at liberty to obtain and employ such agents, advisers and other assistants as are reasonably necessary for the purpose of carrying out the terms of this Order, including, without limitation, one or more entities related to or affiliated with the Monitor;

(i) be at liberty to engage legal counsel to the extent the Monitor considers necessary in connection with the exercise of its powers or the discharge of its obligations in these proceedings and any related proceedings, under this Order or under the CCAA;

(j) be at liberty to serve as a "foreign representative" of the Applicant in any proceedings outside of Canada;

(k) be at liberty to give any consents or approvals as are contemplated by this Order; and

(l) perform such other duties as are required by this Order, the CCAA or the Court from time to time,

but shall not otherwise interfere with the business carried on by the Applicant, and the Monitor is not empowered to take possession of the Property nor to manage any of the business or affairs of the Applicants.

34. The Applicant and its respective directors, officers, employees and agents and all other Persons having notice of this Order shall forthwith provide the Monitor with unrestricted access to all of the Property, including, without limitation, the premises, books, records, data (including data in electronic form) and all other financial documents of the Applicant in connection with the Monitor's duties and responsibilities hereunder.

35. The Monitor may provide creditors and other relevant stakeholders of the Applicant with information in response to reasonable requests made by them in writing addressed to the Monitor and copied to the Applicant's counsel. The Monitor shall not have any duties or liabilities in respect of such information disseminated by it pursuant to the provisions of this Order or the CCAA, other than as provided in paragraph 34. In the case of information that the Monitor has been advised by the Applicant is confidential, proprietary or competitive, the Monitor shall not provide such information to any Person without the consent of the Applicant unless otherwise directed by this Court.

36. The Monitor shall not be, nor be deemed to be, an employer or a successor employer of the employees of any of the Applicant or a related employer in respect of the Applicant within the meaning of any federal, provincial or municipal legislation governing employment, labour relations, pay equity, employment equity, human rights, health and safety or pensions or any other statute, regulation or rule of law or equity for any similar purpose whatsoever and, further, that the Monitor shall not be, nor be deemed to be, in occupation, possession, charge, management or control of the Property or business or affairs of the Applicant pursuant to any federal, provincial or municipal legislation, statute, regulation or rule of law or equity which imposes liability on the basis of such status including, without limitation, the *Environmental Protection and Enhancement Act*, RSA 2000 c. E-12, the *Occupational Health and Safety Act*, RSA 2000 c. 0-2, or similar other federal or provincial legislation.

37. In addition to the rights and protections afforded to the Monitor under the CCAA, elsewhere in this Order or as an officer of the Court, the Monitor shall not incur any liability or obligation as a result of its appointment, the fulfilment of its duties or its carrying out of the provisions of this Order (including, without limitation, with respect to any report or any information provided to claimants), save and except any liability or obligation arising from the gross negligence or wilful misconduct of the Monitor, and no action or other proceedings shall be commenced against the Monitor relating to its appointment or its conduct as Monitor or carrying out the provisions of any order of this Court, except with prior leave of this Court, on at least 7 days' notice to the Monitor and its counsel and upon further order securing, as security for costs, the solicitor and his own client costs of the Monitor, if any, in connection with any such action or proceeding. The entities related to or affiliated with the Monitor referred to in paragraph 33(h) shall also be entitled to the protections, benefits and privileges afforded to the Monitor pursuant to this paragraph.

38. The Applicant shall pay the fees and disbursements of each of the Monitor, the Monitor's legal counsel, the Applicant's legal counsel and the Applicant's financial and other advisers, whether incurred before or after the making of this Order, and shall provide each with a reasonable retainer on account of such fees and disbursements if so requested.

39. The Monitor, counsel to the Monitor and the Applicant's legal counsel, as security for the professional fees and disbursements incurred both before and after the making of this Order in respect of these proceedings, general corporate and litigation matters, the Plan and the Restructuring in accordance with the provisions hereof, shall be entitled to the benefit of and are hereby granted a lien on, mortgage and hypothec of, and security interest in the Property (the "Administration Charge"), having the priority established by paragraphs 40 and 41.

Priorities and General Provisions Relating to CCAA Charges

40. The priorities of the DIP Charge, Administration Charge and the D&O Charge (collectively, the "CCAA Charges"), as between them with respect to any Property to which they apply, shall be as follows:

(a) first, the DIP Charge; and

(b) second, the Administration Charge; and

(c) third, the D&O Charge.

41. Each of the CCAA Charges shall rank in priority to any and all other liens, charges, security interests, encumbrances or security of whatever nature or kind (the "Encumbrances") affecting any of the Property, except the following:

(a) existing purchase-money security interests registered in accordance with applicable personal property security legislation and recognized under such legislation as being entitled to priority over the security of the existing lenders in place as of the date hereof;

(b) in respect of any real property, existing (i) zoning, use and building by-laws and ordinances, federal, provincial or municipal by-laws and regulations as to the use of such Property; (ii) notices of lease; (iii) subdivision agreements, site plan control agreements, development agreements, servicing agreements and other similar agreements with municipal and other governmental authorities; and (iv) permits, reservations, restrictions, covenants, servitudes, watercourse, rights of water, rights of access or user licenses, easements, rights-of-way and rights in the nature of easements; and

(c) future purchase-money security interests registered in accordance with applicable personal property security legislation and recognized under such legislation as being entitled to the priority of purchase-money security interests.

42. The Applicant shall not grant any Encumbrances in or against any Property that rank in priority to, or pari passu with, any of the CCAA Charges unless the Applicant obtains the prior written consent of the Monitor, the DIP Lender, the prior approval of the Court, and any Encumbrances granted by the Applicant contrary to this Order shall be void.

43. Each of the CCAA Charges shall attach, as of the Effective Time of this Order, to all present and future Property of the Applicant (including, without limitation, any lease, sub-lease, offer to lease, licence, permit or other contract) notwithstanding any requirement for the consent

of the lessor or other party to any such lease, licence, permit or contract or any other Person or the failure to comply with any other condition precedent.

44. The necessity for giving or obtaining any consent or the failure to comply with any condition precedent, each as referred to in the previous paragraph, is hereby dispensed with and the absence of any such consent or fulfillment of condition precedent shall not cause a breach or default under any such lease, licence, permit or contract.

45. The CCAA Charges shall be valid and enforceable and not be rendered invalid or unenforceable and the rights and remedies of the beneficiaries of the CCAA Charges shall not otherwise be limited or impaired in any way by: (i) the pendency of these proceedings and the declaration of insolvency made herein; (ii) any petition for a receiving order issued pursuant to the BIA in respect of the Applicant or any receiving order made pursuant to any such petition or any assignment in bankruptcy made or deemed to be made in respect of the Applicant; or (iii) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing agreement, lease, sub-lease, offer to lease or other arrangement which binds the Applicant (a "Third Party Agreement"), and notwithstanding any provision to the contrary in any Third Party Agreement:

(a) the creation of any of the CCAA Charges shall not create or be deemed to constitute a breach by the Applicant of any Third Party Agreement to which it is a party; and

(b) none of the beneficiaries of the CCAA Charges shall have liability to any Person whatsoever as a result of any breach of any Third Party Agreement caused by or resulting from the creation of the CCAA Charges.

46. Notwithstanding: (i) the pendency of these proceedings and the declaration of insolvency made in these proceedings; (ii) any petition for a receiving order issued pursuant to the BIA in respect of the Applicant and any receiving order made pursuant to any such petition or any assignment in bankruptcy made or deemed to be made in respect of the Applicant; and (iii) the provisions of any federal or provincial statute, and the payments or disposition of Property made by the Applicant pursuant to this Order and the granting of the CCAA Charges, do not and will

not constitute settlements, fraudulent preferences, fraudulent conveyances or other challengeable or reviewable transactions or conduct meriting an oppression remedy under any applicable law.

47. The beneficiaries of the CCAA Charges shall not be required to file, register, record or perfect the CCAA Charges and that the CCAA Charges shall be valid and enforceable as against all Property of the Applicant and against all Persons (including, without limitation, any trustee in bankruptcy, receiver, receiver and manager or interim receiver of the Applicant) for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the creation of the CCAA Charges hereby, notwithstanding any failure to file, register, record or perfect the CCAA Charges.

General

48. This Order and the proceedings in this Application leading to the making of this Order, including the contents of any Affidavit filed in this Application, shall not, in and of themselves, constitute or be relied upon in evidence or otherwise as constituting a default or failure to comply by the Applicant under any statute, regulation, licence, permit, contract, permission, covenant, agreement, undertaking or other instrument or requirement.

49. Except as otherwise specified herein, the Applicant is at liberty to serve any notice, proof of claim form, proxy, circular or other document in connection with these proceedings by forwarding copies by prepaid ordinary mail, courier, personal delivery or electronic transmission to Persons or other appropriate parties at their respective addresses as last shown on the records of the Applicant and that any such service shall be deemed to be received on the date of delivery if by personal delivery or electronic transmission, on the following business day if delivered by courier, or three business days after mailing if by ordinary mail.

50. The Applicant may serve any court materials in these proceedings (including, without limitation, application records, motion records, facta and orders) on all represented parties electronically, by emailing a PDF or other electronic copy of such materials (other than any book of authorities) to counsels' email addresses as recorded on the service list, and posting a copy of the materials to the Website as soon as practicable thereafter, provided that the Applicant shall deliver hard copies of such materials to any party requesting same as soon as practicable thereafter.

51. Any party in these proceedings (other than the Applicant) may serve any court materials (including, without limitation, application records, motion records, facta and orders) electronically, by mailing a PDF or other electronic copy of all materials (other than any book of authorities) to counsels' email addresses as recorded on the service list; provided that such party shall deliver both PDF or other electronic copies and hard copies of full materials to counsel to the Applicant and the Monitor and to any other party requesting same and the Applicant shall cause a copy to be posted to the Website, all as soon as practicable thereafter.

52. Unless otherwise provided herein or ordered by this Court, no document, order or other material need be served on any Person in respect of these proceedings unless such Person has served a Demand of Notice on the solicitors for the Applicant and the Monitor and has filed such notice with this Court.

53. The Applicant or the Monitor may, from time to time, apply to this Court for directions in the discharge of their respective powers, duties and rights hereunder or in respect of the proper execution of this Order on notice only to each other.

54. Notwithstanding other provisions of this Order, any interested Person may apply to this Court, to vary or rescind this Order or seek other relief upon seven (7) days' notice to the Applicant, the Monitor and to any other party likely to be affected by the Order sought or upon such other notice, if any, as this Court may order.

55. This Order and any other orders in these proceedings shall have full force and effect in all provinces and territories in Canada.

56. The Monitor, with the prior consent of the Applicant, shall be at liberty and is hereby authorized and empowered to apply as it may consider necessary or desirable, with or without notice, to any other court or administrative body, whether in Canada, the United States of America or elsewhere, for orders in other jurisdictions which aid and complement this Court in carrying out the terms of this Order and any subsequent orders made in these proceedings and, without limitation to the foregoing, for the purposes of obtaining an order under the U.S. Bankruptcy Code, the Monitor shall act and be deemed to be the foreign representative of the Applicants. All courts and administrative bodies of all such jurisdictions are hereby respectively

requested to make such orders and to provide such assistance to the Monitor as may be deemed necessary or appropriate for that purpose.

57. THIS COURT SEEKS AND REQUESTS the aid and recognition of any Court or administrative body in any Province of Canada and any Canadian Federal Court or administrative body and any Federal or State Court or administrative body in the United States of America or elsewhere to act in aid of and to be complementary to this Court in carrying out the term of this Order.

"S.J. Lovecchio"

J.C.C.Q.B.A.

Entered this 27th day of
September, 2006.

V.A. BRANDT COURT SEAL

Clerk of the Court

ACTION NO: 0601-11260

IN THE COURT OF QUEEN'S BENCH
OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, as amended

AND IN THE MATTER OF
POINT NORTH ENERGY LTD.

APPLICANTS

CLERK OF THE COURT
SEP 27 2006
CALGARY, ALBERTA

INITIAL ORDER

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