MATERIAL CHANGE REPORT

1. Reporting Issuer:

KETCH ENERGY LTD.

2. Date of Material Change:

July 18, 2002

3. News Release

A joint press release disclosing the details outlined in this Material Change Report was issued by Ketch Energy Ltd. and Acclaim Energy Trust on July 18, 2002 and disseminated through the facilities of Canada Newswire Limited and would have been received by the securities commissions where Ketch Energy Ltd. is a "reporting issuer" and the stock exchanges on which the securities of Ketch Energy Ltd. are listed and posted for trading in the normal course of its dissemination.

4. Summary of Material Change:

On July 18, 2002, Acclaim Energy Trust ("Acclaim"), Acclaim Energy Inc., Ketch Energy Ltd. ("Ketch") and 960348 Alberta Ltd. ("ExploreCo") entered into an arrangement agreement whereby Acclaim and Ketch will combine their mature assets in Acclaim and transfer certain of Ketch's growth assets to ExploreCo. Acclaim is a public trust 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:

Acclaim, Acclaim Energy Inc., Ketch and ExploreCo entered into an arrangement agreement to effect the business combination through a Plan of Arrangement whereby Acclaim and Ketch will combine their mature assets in Acclaim and transfer certain of Ketch's growth assets to ExploreCo (the "Transaction").

Acclaim will offer to acquire all of the outstanding common shares of Ketch in exchange for 1.15 Acclaim trust units. In addition, each Ketch shareholder will receive one common share of ExploreCo for each common share of Ketch held.

Completion of the Plan is subject to the receipt of all shareholder, court and regulatory approvals.

The directors of each of Acclaim and Ketch have unanimously approved the Transaction. Ketch management and directors, representing approximately 4% of the issued and outstanding common shares of Ketch, have indicated that they intend to vote in favour of the Transaction. The Board of Directors of Ketch has agreed to pay Acclaim a fee of $9 million if the transaction is not completed under certain conditions. Ketch has also agreed to terminate any discussions with other parties and will not solicit other proposals.

The Board of Directors of Ketch has concluded, based on considerations including the recommendations of a committee of independent directors, that the transaction is in the best interests of shareholders and has unanimously resolved to recommend that shareholders vote their shares in favour of the Transaction. Griffiths McBurney & Partners and BMO Nesbitt Burns Inc. are acting as financial advisors and TD Securities Inc. is acting as strategic advisor to Ketch. Griffiths McBurney & Partners has also provided an opinion to the Board of Directors of Ketch that the consideration to be received by shareholders of Ketch, pursuant to the Transaction, is fair from a financial point of view to the shareholders of Ketch.

Ketch anticipates mailing an information circular with details of the Transaction in August and expects to call a shareholders meeting to consider the Transaction in September. The effective date of the Transaction is expected to be October 1, 2002.

A copy of the Arrangement Agreement is attached to this Material Change Report as Schedule 1.

6. Reliance on Confidentiality Provision:

Not Applicable

7. Omitted Information:

Not Applicable

8. Senior Officer:

For further information, please contact Grant B. Fagerheim, President and Chief Executive Officer at (403) 261-2334 or J. Paul Charron, Vice President and Chief Financial Officer at (403) 261-2330.

9. Statement of Officer:

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

DATED effective July 19, 2002 at the City of Calgary, in the Province of Alberta.

"J. Paul Charron"
J. Paul Charron
Vice President and Chief Financial Officer

cc: the Toronto Stock Exchange

SCHEDULE 1

ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT made as of the 18th day of July, 2002.

BETWEEN:

ACCLAIM ENERGY TRUST, a trust formed under the laws of the Province of Alberta ("Acclaim")

AND:

ACCLAIM ENERGY INC., a body corporate incorporated under the laws of the Province of Alberta ("Acclaim Energy")

AND:

KETCH ENERGY LTD., a body corporate incorporated under the laws of the Province of Alberta ("Ketch")

AND:

960348 ALBERTA LTD., a body corporate incorporated under the laws of the Province of Alberta ("ExploreCo")

WHEREAS Ketch wishes to reorganize its business for the benefit of the Ketch Shareholders;

AND WHEREAS Ketch has formed ExploreCo for the purpose of acquiring the Exploration Assets from Ketch for the benefit of the Ketch Shareholders;

AND WHEREAS Acclaim wishes to combine its assets and operations with that of Ketch, which at the time of such combination will consist of the Production Business;

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

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
DEFINITIONS

1.1 In this Agreement, unless the context otherwise requires:

(a) **"ABCA"** means the *Business Corporations Act* (Alberta), S.A. 1981, c. B-15, as amended, including the regulations promulgated thereunder;

(b) **"Acclaim"** means Acclaim Energy Trust., an open-end unincorporated trust established under the laws of the Province of Alberta, including all predecessors;

(c) **"Acclaim Counsel"** means Bennett Jones LLP, or such other legal counsel as may be designated by Acclaim;

(d) **"Acclaim Energy"** means Acclaim Energy Inc., a body corporate incorporated under the ABCA;

(e) **"Acclaim Financial Statements"** means the audited financial statements of Acclaim for the years ended December 31, 2001 and 2000 and the unaudited financial statements of Acclaim for the three months ended March 31, 2002;

(f) **"Acclaim Management Agreement"** means the management agreement dated April 20, 2001 among Acclaim Energy Management Inc., Acclaim and Acclaim Energy;

(g) **"Acclaim Net Debt"** means long term debt, including amounts due under capital leases, and current liabilities of Acclaim, contingent or otherwise, less the current assets of Ketch calculated in accordance with generally accepted accounting principles;

(h) **"Acclaim Public Documents"** means all documents or information filed by or on behalf of Acclaim in compliance with or intended compliance with Applicable Laws;

(i) **"Acclaim Trust Units"** means the trust units of Acclaim as constituted on the date hereof;

(j) **"AcquisitionCo"** has the meaning ascribed thereto in the Plan of Arrangement;

(k) **"AcquisitionCo Preferred Shares"** means the 14% redeemable, retractable, exchangeable preferred shares of AcquisitionCo which shall: (i) bear a 14% annual cumulative dividend; (ii) be exchangeable on a one for one basis for Exchangeable Shares at any time at the option of the holder or AcquisitionCo after receipt of all necessary regulatory approvals of the issuance of the Acclaim Trust Units underlying the Exchangeable Shares; (iii) be retractable at the option of the holder at an amount equal to stated capital of such shares plus all accrued and unpaid dividends at any time after the 2003 annual general meeting of Acclaim in the event that unitholder approval, if required, is not obtained; and (iv) redeemable at the option of AcquisitionCo at any time after December 31, 2002 for an amount equal to the stated capital of such shares plus all accrued and unpaid dividends;

(l) **"Agreement"** means this agreement, including the recitals and all Exhibits to this agreement, as amended or supplemented from time to time, and **"hereby"**, **"hereof"**, **"herein"**, **"hereunder"**, **"herewith"** and similar terms refer to this Agreement and not to any particular provision of this Agreement;

(m) **"Applicable Laws"** means applicable corporate and securities laws, regulations and rules, all policies thereunder and rules of applicable stock exchanges;

(n) **"Arrangement"** means the arrangement under the provisions of Section 193 of the ABCA as set out in the Plan of Arrangement;

(o) **"Articles of Arrangement"** means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been made;

(p) **"Break Fee"** has the meaning ascribed thereto in Section 8.4 hereof;

(q) **"business day"** means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Calgary for the transaction of banking business;

(r) **"Certificate of Arrangement"** means the certificate to be issued by the Registrar pursuant to subsection 193(11) of the ABCA giving effect to the Arrangement;

(s) **"Closing"** means the completion of the Plan of Arrangement;

(t) **"control"** means, with respect to control of a body corporate by a person, the holding (other than by way of security) by or for the benefit of that person of securities of that body corporate to which are attached more than 50% of the votes that may be cast to elect directors of the body corporate (whether or not securities of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) provided that such votes, if exercised, are sufficient to elect a majority of the board of directors of the body corporate;

(u) **"Conveyance Agreements"** means the agreements to be entered into between Ketch and ExploreCo, in form satisfactory to Acclaim, acting reasonably, effecting the sale by Ketch to ExploreCo of the Exploration Assets which have a value of approximately $30 million;

(v) **"Court"** means the Court of Queen's Bench of Alberta;

(w) **"Effective Date"** means the date shown on the Certificate of Arrangement or, if no Certificate of Arrangement is issued, the date upon which the Articles of Arrangement are filed;

(x) **"Effective Time"** means 12:01 a. m. (Calgary time) on the Effective Date;

(y) **"Encumbrance"** includes, without limitation, any mortgage, pledge, assignment, charge, lien, security interest, claim, trust, royalty or carried, participation, net profits or other third party interest and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;

(z) **"Exchangeable Shares"** means exchangeable shares in the capital of AcquisitionCo to be created on or before the Effective Time which shall be exchangeable on a one for one basis for Acclaim Trust Units, subject to adjustment for distributions;

(aa) **"Exploration Assets"** means the assets owned by Ketch and to be sold to ExploreCo pursuant to the Conveyance Agreements, all as more particularly described in, and subject to the liabilities set forth in, the Exhibit 3 hereto;

(bb) **"ExploreCo"** means 960348 Alberta Ltd., a body corporate incorporated under the ABCA;

(cc) **"ExploreCo Shares"** means the common shares of ExploreCo as constituted on the date hereof;

(dd) **"Fairness Opinion"** means the opinion of Griffith McBurney & Partners that the Arrangement is fair, from a financial point of view, to the Ketch Shareholders;

(ee) **"Final Order"** means the final order of the Court approving the Arrangement pursuant to subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

(ff) **"Governmental Authority"** includes any federal, provincial, municipal or other political subdivision, government department, commission, board, bureau, agency or instrumentality, domestic or foreign;

(gg) ***"Income Tax Act"*** means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1 (5th Supp), as amended, including the regulations promulgated thereunder;

(hh) **"Information Circular"** means the information circular - proxy statement of Ketch to be mailed to Ketch Securityholders in connection with the holding of the Meeting;

(ii) **"Interim Order"** means an interim order of the Court concerning the Arrangement under subsection 193(4) of the ABCA, containing declarations and directions with respect to the Arrangement and the holding of the Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

(jj) **"Joint Venture Agreement"** means the joint venture agreement to be entered into among Acclaim Energy, Ketch and ExploreCo at the Effective Time upon the terms substantially as set forth in Exhibit 2 hereto;

(kk) **"Ketch"** means Ketch Energy Ltd., a corporation incorporated under the ABCA;

(ll) **"Ketch Acquisition Proposal"** shall have the meaning ascribed thereto in subsection 8.1(c)(i);

(mm) **"Ketch Counsel"** means Burnet, Duckworth & Palmer LLP, or such other legal counsel as may be designated by Ketch;

(nn) **"Ketch Financial Statements"** means the audited financial statements of Ketch for the years ended December 31, 2001 and 2000 and the unaudited financial statements of Ketch for the three months ended March 31, 2002;

(oo) **"Ketch GLJ Reserve Report"** means the report of Gilbert Laustsen Jung Associates Ltd. dated March 14, 2002 evaluating certain of Ketch's oil, natural gas liquids and natural gas reserves and the estimated future cash flows from such reserves, effective January 1, 2002;

(pp) **"Ketch Options"** means, collectively, all outstanding options to purchase Ketch Shares pursuant to Ketch's existing share option plan or otherwise;

(qq) **"Ketch Optionholders"** means the holders of Ketch Options;

(rr) **"Ketch Public Documents"** means all documents or information filed by or on behalf of Ketch in compliance with or intended compliance with Applicable Laws;

(ss) **"Ketch Net Debt"** means long term debt, including amounts due under capital leases, and current liabilities of Ketch, contingent or otherwise, less the current assets of Ketch calculated in accordance with generally accepted accounting principles;

(tt) **"Ketch Securities"** means, collectively, Ketch Shares and Ketch Options;

(uu) **"Ketch Securityholders"** means, collectively, Ketch Shareholders and Ketch Optionholders;

(vv) **"Ketch Shareholders"** means the holders of Ketch Shares;

(ww) **"Ketch Shares"** means the Common Shares of Ketch as constituted on the date hereof;

(xx) **"Ketch Warrants"** means the outstanding warrants of Ketch entitling the holders to acquire Ketch Shares;

(yy) **"Letter of Transmittal"** means the letter of transmittal to be forwarded by Ketch pursuant to the Interim Order to the Ketch Shareholders for use by such Ketch Shareholders in tendering their Ketch Shares in exchange for the consideration payable pursuant to the Arrangement;

(zz) **"Lock-up Agreements"** means the lock-up agreements entered into by certain Ketch Securityholders representing not less than 4% of the outstanding Ketch Shares in a form satisfactory to Acclaim, acting reasonably, which provides that, *inter alia*, such Ketch Securityholder will vote in favour of the Arrangement and all Ketch Warrants will be exercised or otherwise terminated;

(aaa) **"Meeting"** means the special meeting of the Ketch Shareholders and, if required, Ketch Optionholders to be called to, *inter alia*, consider and, if thought fit, authorize, approve and adopt the Arrangement in accordance with the Interim Order, and any adjournments thereof;

(bbb) **"misrepresentation"** includes any untrue statement of a material fact, any omission to state a material fact that is required to be stated and any omission to state a material fact that is necessary to be stated in order for a statement not to be misleading;

(ccc) **"Notes"** means the unsecured subordinated notes having the terms substantially as set forth in Schedule A to the Plan of Arrangement to be issued by AcquisitionCo under the Arrangement;

(ddd) **"person"** includes any individual, partnership, firm, trust, body corporate, government, governmental body, agency or instrumentality, unincorporated body of persons or association;

(eee) **"Plan of Arrangement"** means the plan of arrangement having the terms substantially as set forth in Exhibit 1 hereto as amended or supplemented from time to time in accordance with Article 11 hereof;

(fff) **"Production Business"** means 100% of the assets of Ketch on a consolidated basis, including, without limitation, its producing and non-producing properties and lands, seismic, facilities and related equipment, parts and other assets but excluding the Exploration Assets, and subject to the associated liabilities;

(ggg) **"Registrar"** means the registrar appointed pursuant to Section 263 of the ABCA;

(hhh) **"Sproule Reserve Report"** means the report of Sproule Associates Limited dated March 12, 2002 evaluating certain of Acclaim Energy's oil, natural gas liquids and natural gas reserves and the estimated future cash flows from such reserves, effective January 1, 2002;

(iii) **"subsidiary"** means, when used to indicate a relationship with another body corporate,

(i) a body corporate which is controlled by (A) that other, or (B) that other and one or more bodies corporate, each of which is controlled by that other, or (C) two or more bodies corporate each of which is controlled by that other; or

(ii) a subsidiary of a body corporate that is the other's subsidiary;

(jjj) **"Tax Pools"** means undepreciated capital cost of any particular class of depreciable property, earned depletion base, cumulative Canadian exploration expense, cumulative Canadian development expense, cumulative Canadian oil and gas property expense, foreign exploration and development expense, capital losses, non-capital losses, cumulative eligible capital, attributed Canadian royalty income and investment tax credits, all as defined in the *Income Tax Act*, and financing expenses referred to in Section 20(1)(e) of the *Income Tax Act*; and

(kkk) **"TSX"** means the Toronto Stock Exchange.

1.2 The following Exhibits form part of this Agreement:

Exhibit 1 — Plan of Arrangement
Exhibit 2 — Joint Venture Agreement Term Sheet
Exhibit 3 — Exploration Assets

ARTICLE 2
INTERPRETATION

2.1 The division of this Agreement into Articles, Sections, subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

2.2 Unless the contrary intention appears, references in this Agreement to an Article, Section, subsection, paragraph, clause, subclause or schedule by number or letter or both refer to the article, section, subsection, paragraph, clause, subclause or schedule, respectively, bearing that designation in this Agreement.

2.3 In this Agreement, unless the contrary intention appears, words importing the singular include the plural and vice versa; words importing gender shall include all genders.

2.4 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.

2.5 References in this Agreement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

2.6 Unless otherwise stated, all references in this Agreement to sums of money are expressed in lawful money of Canada.

2.7 All representations, warranties, covenants and opinions in or contemplated by this Agreement as to the enforceability of any covenant, agreement or document are subject to enforceability being limited by applicable bankruptcy, insolvency, reorganization and other laws affecting creditors rights generally, and the discretionary nature of certain remedies (including specific performance and injunctive relief).

2.8 All references to the date of this Agreement, "the date hereof" or similar expressions or references shall mean July 18, 2002, except as is expressly provided herein.

ARTICLE 3
KETCH'S AND EXPLORECO'S CLOSING CONDITIONS

3.1 The respective obligations of Ketch and ExploreCo to complete the transactions contemplated herein are subject to the fulfilment of the following conditions precedent on or before the Effective Date or such other time as is specified below:

(a) the representations and warranties made by Acclaim and Acclaim Energy in Section 7.1 in this Agreement shall be true as of the Effective Date as if made on and as of such date (except for representations and warranties which refer to another date, which shall be true as of that date), Acclaim and Acclaim Energy shall have provided to Ketch and ExploreCo a certificate of two officers of Acclaim Energy certifying as to such matters on the Effective Date and Ketch and ExploreCo shall have no actual knowledge to the contrary;

(b) Acclaim shall have provided Ketch and ExploreCo with opinions of Acclaim Counsel satisfactory to Ketch and ExploreCo, acting reasonably, dated the Effective Date and addressed to Ketch, ExploreCo and Ketch Counsel to the effect that:

   (i) Acclaim is a trust duly settled and validly existing under the laws of the Province of Alberta and has full power and authority to enter into this Agreement and perform its obligations hereunder;

   (ii) Acclaim Energy is duly incorporated and validly existing under the laws of the Province of Alberta and Acclaim Energy has full power and authority to enter into this Agreement and perform its obligations hereunder;

   (iii) all necessary proceedings of Acclaim and Acclaim Energy have been taken to fully, validly and effectively authorize this Agreement and the transactions contemplated herein including the Arrangement, the performance by Acclaim and Acclaim Energy of their obligations hereunder, and the execution and delivery by Acclaim and Acclaim Energy of this Agreement and all documents delivered pursuant hereto;

   (iv) the execution and delivery by Acclaim and Acclaim Energy of this Agreement and all documents delivered pursuant hereto, the performance by Acclaim and Acclaim Energy of their obligations hereunder and thereunder and the consummation of the transactions contemplated herein and therein will not:

      (A) result in the breach of or violate any term or provision of the governing documents of Acclaim or Acclaim Energy; or

      (B) violate any provision of law or administrative regulation or, in each case as known to such counsel, without special inquiry, any judicial or administrative order, award, judgment or decree applicable to Acclaim or Acclaim Energy;

   (v) this Agreement has been, and the documents delivered pursuant hereto will be, duly executed and delivered by Acclaim and Acclaim Energy and this Agreement is, and such other documents will be, valid and binding on Acclaim and Acclaim Energy and is enforceable in accordance with its terms;

   (vi) the Acclaim Trust Units issued pursuant to the Arrangement have been conditionally allotted and will, when issued, be duly and validly issued as fully paid and non-assessable

Acclaim Trust Units and such Acclaim Trust Units have been conditionally approved as listed for trading on the TSX subject to satisfaction of the conditions prescribed by such exchange;

(vii) the prospectus exemption of the issuance of Acclaim Trust Units and the first trade of Acclaim Trust Units issued pursuant to the Agreement;

(viii) the Notes issued pursuant to the Arrangement will, when issued, be duly and validly issued; and

(ix) as to the authorized capital of Acclaim immediately prior to the Effective Date.

In giving such opinion, Acclaim Counsel 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 provided that Acclaim Counsel is of the opinion that the opinion of such local counsel is one upon which Acclaim Counsel may properly rely and, in respect of matters of fact, upon certificates of senior officers of Acclaim Energy or any other appropriate persons acceptable to Ketch Counsel;

(c) Acclaim and Acclaim Energy shall have complied in all material respects with their respective covenants in this Agreement and Acclaim shall have provided to Ketch and ExploreCo a certificate of two officers of Acclaim Energy certifying as to such compliance and Ketch and ExploreCo shall have no actual knowledge to the contrary;

(d) before giving effect to the transactions contemplated by this Agreement, there shall have been no material adverse change, financial or otherwise, in the assets, liabilities, business, operations, prospects, affairs, capital or financial condition of Acclaim from that disclosed in the Acclaim Financial Statements or any occurrences or circumstances which have resulted or might reasonably be expected to result in a material adverse change thereto (other than a change due to changes in general economic conditions (including commodity prices) applicable to corporations conducting business similar to that of Acclaim) except as disclosed in the Acclaim Public Documents prior to the date hereof or except as have been previously disclosed in writing to Ketch prior to the date hereof;

(e) the Acclaim Trust Units issuable pursuant to the Arrangement shall have been deposited with the Depositary (as defined in the Plan of Arrangement) together with an irrevocable direction authorizing and directing the Depositary to pay the Acclaim Trust Units issuable pursuant to the Arrangement to the holders of the Ketch Shares who are entitled to receive such units in accordance with the Arrangement;

(f) the Management Agreement shall be terminated at the Effective Time at a cost not exceeding $2,772,400, which shall be payable by the issuance of 570,453 AcquisitionCo Preferred Shares. The Exchangeable Shares issued to Acclaim Energy Management Inc. shall be only convertible as to one-third thereof on each of the first, second and third anniversary date of the Effective Date;

(g) Acclaim Energy Management Inc. agreeing to accept the payment of the acquisition fee earned in connection with the Arrangement under the Management Agreement by the issuance of 1,192,141 AcquisitionCo Preferred Shares;

(h) the parties agree to proceed and co-operate in good faith to negotiate, prepare and execute a definitive Conveyance Agreement containing representations, warranties, terms and conditions customary for such transaction;

(i) the Board of Directors of Acclaim Energy shall be reconstituted as an eight member board comprised of Robert G. Brawn (Chairman), Jack C. Lee (Vice-Chairman), two nominees appointed by Ketch, approved by Acclaim Energy, such consent not to be unreasonably withheld, and four nominees to be independent directors appointed by Acclaim, approved by Ketch, such consent not to be unreasonably withheld. Acclaim confirms its consent to Grant B. Fagerheim and J. Paul Charron as the nominess of Ketch. J. Paul Charron shall be appointed as President and Chief Executive Officer of Acclaim Energy;

(j) there will not have occurred any actually or threatened change (including a proposal by the Minister of Finance of Canada to amend the *Income Tax Act* or any announcement, governmental or regulatory initiative event or development involving a change or a prospective change) that in the judgment of Ketch, acting reasonably, directly or indirectly, has or may have a material adverse affect with respect to Acclaim Energy with respect to the regulatory regime applicable to the respective businesses and operations or with respect to commencing the Plan of Arrangement; and

(k) there shall have been no adverse change to Acclaim's distribution policy (including the frequency or quantum thereof), except to the extent resulting from an event or circumstance relating to conditions affecting the oil and gas industry in the jurisdictions in which the Acclaim or Ketch holds its assets, taken as a whole including, without limitation, changes in commodity prices or taxes, or resulting from general economic, financial, currency exchange, securities or commodity market conditions in Canada including, without limitation, changes in currency exchange rates.

The foregoing conditions precedent are for the benefit of Ketch and ExploreCo and may be waived, in whole or in part, by Ketch on behalf of itself and ExploreCo in writing at any time. If any of the said conditions precedent shall not be complied with or waived by Ketch and ExploreCo on or before the date required for the performance thereof, Ketch and ExploreCo may, in addition to the other remedies it may have at law or equity, rescind and terminate this Agreement by written notice from Ketch to Acclaim.

ARTICLE 4
ACCLAIM’S AND ACCLAIM ENERGY'S CLOSING CONDITIONS

4.1 The respective obligation of Acclaim and Acclaim Energy to complete the transactions contemplated herein is subject to fulfilment of the following conditions precedent on or before the Effective Date or such other time as is specified below:

(a) the representations and warranties made by Ketch and ExploreCo in Section 6.1 hereof shall be true as of the Effective Date as if made on and as of such date (except for representations and warranties which refer to another date, which shall be true as of that date) and Ketch and ExploreCo shall have provided to Acclaim and Acclaim Energy a certificate of two officers of each of Ketch and ExploreCo certifying as to such matters on the Effective Date and Acclaim and Acclaim Energy shall have no knowledge to the contrary;

(b) Ketch and ExploreCo shall have provided Acclaim and Acclaim Energy with opinions of Ketch Counsel satisfactory to Acclaim, Acclaim Energy and Acclaim Counsel, acting reasonably, dated the Effective Date and addressed to Acclaim, Acclaim Energy and Acclaim Counsel, to the effect that:

(i) each of Ketch and ExploreCo is duly incorporated and validly existing under the laws of the Province of Alberta and each of Ketch and ExploreCo has full power and authority to enter into this Agreement and perform its respective obligations hereunder;

(ii) all necessary corporate proceedings of each of Ketch and ExploreCo, as the case may be, have been taken to fully, validly and effectively authorize this Agreement, the Joint Venture Agreement and the Conveyance Agreements, as the case may be, and the transactions contemplated herein and therein, including the Arrangement, the performance by Ketch and ExploreCo of their respective obligations hereunder and thereunder, and the execution and delivery by Ketch and ExploreCo of this Agreement, the Joint Venture Agreement and the Conveyance Agreements, as the case may be, and all documents delivered pursuant hereto or thereto;

(iii) the execution and delivery by each of Ketch and ExploreCo of this Agreement, the Joint Venture Agreement and the Conveyance Agreements, as the case may be, and all documents delivered pursuant hereto and thereto, the performance by each of Ketch and ExploreCo of its obligations hereunder and thereunder and the consummation of the transactions contemplated herein and therein will not:

(A) result in the breach of or violate any term or provision of the articles, by-laws or governing documents of either Ketch or ExploreCo; or

(B) violate any provision of law or administrative regulation or, in each case as known to such counsel, without special inquiry, any judicial or administrative order, award, judgment or decree applicable to any of Ketch, ExploreCo, or the Production Business;

(iv) this Agreement has been, and the documents delivered pursuant hereto will be, duly executed and delivered by each of Ketch and ExploreCo, as the case may be, and this Agreement is, and such other documents will be, valid and binding on each of Ketch and ExploreCo, as the case may be, and is enforceable in accordance with its respective terms; and

(v) as to the authorized capital of each of Ketch and ExploreCo immediately prior to the Effective Date;

In giving such opinion, Ketch Counsel 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 provided that Ketch Counsel is of the opinion that the opinion of such local counsel is one upon which Ketch Counsel may properly rely and, in respect of matters of fact, upon certificates of senior officers of Ketch and ExploreCo or any other appropriate persons acceptable to Acclaim Counsel;

(c) each of Ketch and ExploreCo shall have complied in all material respects with its covenants in this Agreement and each of Ketch and ExploreCo shall have provided to Acclaim and Acclaim Energy a certificate of two officers certifying as to such compliance and Acclaim and Acclaim Energy shall have no actual knowledge to the contrary;

(d) before giving effect to the transactions contemplated by this Agreement, there shall have been no material adverse change, financial or otherwise, in the assets, liabilities, business, operations, prospects, affairs, capital or financial condition of Ketch or the Production Business from that disclosed in the Ketch Financial Statements or any occurrences or circumstances which have resulted or might reasonably be expected to result in a material adverse change thereto (other than a change due to changes in general economic conditions (including commodity prices) applicable to corporations conducting business similar to that of Ketch) except as disclosed in the Ketch Public Documents prior to the date hereof or except as have been previously disclosed in writing to Acclaim prior to the date hereof;

(e) the board of directors of Ketch shall not have changed, withdrawn or modified its endorsement of the Arrangement, its determination that the Arrangement is fair and in the best interest of Ketch and the Ketch Securityholders and its recommendation that Ketch Securityholders vote in favour of the Arrangement;

(f) each of the members of the board of directors of Ketch and each of the officers of Ketch shall have provided their written resignations as directors and officers effective on or before the Effective Date together with mutual releases (satisfactory to Acclaim) in favour of Ketch and the board of directors of Ketch shall have been reconstituted with nominees of Acclaim as at the Effective Date;

(g) all the outstanding Ketch Warrants, shall have been exercised, cancelled or otherwise terminated, as evidence by a certificate from a senior officer of Ketch confirming that all Ketch Warrants have been exercised, cancelled or terminated or Acclaim shall be otherwise satisfied that the Ketch Warrants will no longer represent any right to acquire Ketch Shares after giving affect to the Arrangement;

(h) there will not have occurred any actually or threatened change (including a proposal by the Minister of Finance of Canada to amend the *Income Tax Act* or any announcement, governmental or regulatory initiative event or development involving a change or a prospective change) that in the judgment of Acclaim, acting reasonably, directly or indirectly, has or may have a material adverse affect with respect to Ketch with respect to the regulatory regime applicable to the respective businesses and operations or with respect to commencing the Plan of Arrangement;

(i) there shall be no action taken under any existing law, regulation, rule or order, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or regulatory authority or similar agency, domestic or foreign, that imposes any material limitations on the ability of Acclaim to effectively exercise full rights of ownership of the Ketch Shares, including, without limitation, the right to vote any such shares, or the ability of Acclaim to use and enjoy the Production Business;

(j) Ketch's bankers shall have consented to the completion of the Arrangement and the completion of the Arrangement shall not constitute an event of default under Ketch's bank facilities; and

(k) Ketch shall have delivered to Acclaim the executed Lock-up Agreements within 10 days of the date hereof.

The foregoing conditions precedent are for the benefit of Acclaim and Acclaim Energy and may be waived, in whole or in part, by Acclaim in writing at any time. If any of the said conditions precedent shall not be complied with or waived by Acclaim and Acclaim Energy on or before the date required for the performance thereof, Acclaim and Acclaim Energy may, in addition to the other remedies it may have at law or equity, rescind and terminate this Agreement by written notice to Ketch and ExploreCo.

ARTICLE 5
MUTUAL CLOSING CONDITIONS

5.1 The obligations of Acclaim, Acclaim Energy, Ketch and ExploreCo to complete the transactions contemplated herein are subject to fulfilment of the following conditions precedent on or before the Effective Date or such other time as is specified below:

(a) a special resolution shall have been passed by the Ketch Securityholders as required pursuant to the Interim Order, on or before November 15, 2002, in form and substance satisfactory to each of Acclaim and Ketch, acting reasonably, duly approving the Arrangement in accordance with the Interim Order;

(b) on or before November 15, 2002, the Final Order shall have been granted in form and substance satisfactory to Acclaim, Ketch and ExploreCo, each acting reasonably;

(c) the Arrangement shall have become effective on or before November 15, 2002;

(d) 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, that:

   (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated herein; or

   (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein;

(e) Ketch, ExploreCo and Acclaim shall have obtained all consents, approvals and authorizations (including, without limitation, all stock exchange, securities commission and other regulatory approvals) required or necessary in connection with the transactions contemplated herein on terms and conditions reasonably satisfactory to Ketch and Acclaim;

(f) Ketch and ExploreCo shall have entered into the Conveyance Agreement;

(g) Ketch, ExploreCo and Acclaim Energy shall have entered into the Joint Venture Agreement;

(h) the TSX or the TSX Venture Exchange shall have conditionally approved the listing of the ExploreCo Shares on terms which ExploreCo is capable of satisfying after giving effect to the Arrangement; and

(i) holders of not more than 5% of the issued and outstanding Ketch Securities shall have exercised rights of dissent in relation to the Plan of Arrangement and Ketch shall have provided to Acclaim and Acclaim Energy a certificate of an officer of Ketch certifying on the Effective Date the number of Ketch Securities in respect of which, to such officer's knowledge, the holders thereof have exercised rights of dissent.

The foregoing conditions are for the mutual benefit of Acclaim, Acclaim Energy, Ketch and ExploreCo and may be waived, in whole or in part, by Acclaim, Acclaim Energy, Ketch and ExploreCo together, at any time. If any of the said conditions precedent shall not be complied with or waived as aforesaid on or before the date required for the performance thereof, Acclaim and Acclaim Energy, or Ketch and

ExploreCo may, in addition to the other remedies it may have at law or in equity, rescind and terminate this Agreement by written notice to the other party.

ARTICLE 6
KETCH'S AND EXPLORECO'S REPRESENTATIONS AND WARRANTIES

6.1 Each of Ketch and ExploreCo severally represents, warrants and covenants to Acclaim and Acclaim Energy with respect to itself that:

(a) each of Ketch and ExploreCo is duly organized and validly existing under the laws of the Province of Alberta, has the capacity, power and authority to own or lease its property and assets and to carry on its business as now conducted by it;

(b) each of Ketch and ExploreCo is duly qualified to carry on business in each jurisdiction in which the nature of its business or the property or assets owned or leased by it makes such qualification necessary, except where the failure to be so qualified will not have a material adverse effect on the business, assets, properties, condition (financial or otherwise), results of operations or prospects of Ketch, taken as a whole;

(c) Ketch does not have any subsidiaries other than ExploreCo, Ketch Exploration Ltd., 960347 Alberta Ltd. and Panoil Resources Ltd. and does not have any partnership interests other than in Ketch Energy and Kick Energy;

(d) Ketch and each of its subsidiaries and partnerships has complied with and is in compliance with all laws or regulations applicable to the operation of its business, including all Applicable Laws, except where failure to do so would not have a material adverse effect on the business, assets, properties, condition (financial or otherwise), results of operations or prospects of Ketch, taken as a whole, and Ketch and each of its subsidiaries and partnerships has all licenses, permits, orders or approvals of, and has made all required registrations with any government or regulatory body that are material to the conduct of its business;

(e) each of Ketch and ExploreCo has all requisite corporate power and authority to enter into this Agreement, the Joint Venture Agreement and the Conveyance Agreements and all documents to be delivered pursuant hereto and thereto and, subject to the terms hereof, to perform its obligations hereunder and thereunder;

(f) the execution and delivery of this Agreement, the Joint Venture Agreement and the Conveyance Agreements and all documents to be delivered pursuant hereto, the performance of the terms hereof and thereof and the consummation of the transactions contemplated herein and therein do not and will not:

(i) result in the breach of or violate any term or provision of the articles, by-laws or governing documents of either Ketch or ExploreCo;

(ii) conflict with, result in a 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 either Ketch or ExploreCo is a party or by which either is bound or to which any of their property is subject;

(iii) result in the creation of any Encumbrance upon any assets comprised in the Production Business;

(iv) give to any person any material interest or right, including the right of purchase, termination, cancellation or acceleration (other than accelerated vesting and exercise rights of the Ketch Options) under any such agreement, instrument, license, permit or authority; or

(v) violate any provision of law or administrative regulation or any judicial or administrative order, award, judgment or decree applicable to either Ketch, ExploreCo, the Ketch Shares or the Production Business,

except to the extent such result or occurrence as set forth in this subsection 6.1(f) does not have a material adverse effect, financial or otherwise, on the assets, liabilities, business, operations, prospects, affairs, capital or financial condition of ExploreCo, Ketch or the Production Business;

(g) this Agreement has been, and prior to the Effective Date, the Conveyance Agreements and the Joint Venture Agreement will be, duly authorized, executed and delivered by each of Ketch and ExploreCo and all documents to be executed and delivered by Ketch and ExploreCo pursuant thereto to Acclaim shall be duly executed and delivered and this Agreement constitutes, and, the Joint Venture Agreement and the Conveyance Agreements will constitute, legal, valid and binding obligations of each of Ketch and ExploreCo enforceable against them in accordance with their respective terms;

(h) the board of directors of Ketch, upon consultation with its advisors and upon receipt of a verbal Fairness Opinion, has determined that the Arrangement is fair to the holders of the Ketch Securities, that the Arrangement is in the best interests of Ketch and the holders of the Ketch Shares and Ketch Options, has unanimously approved the Arrangement and the entering into of this Agreement and will unanimously recommend that holders of Ketch Shares and Ketch Options vote in favour of the Arrangement;

(i) Ketch has not incurred any obligation or liability, contingent or otherwise, for brokerage fees, finder's fees, agent's commission, financial advisory fees or other similar forms of compensation with respect to the transactions contemplated herein other than pursuant to the financial advisory agreement dated May 23, 2002 entered into between Griffiths McBurney & Partners and Ketch and the financial advisory agreement dated July 5, 2002 entered into between BMO Nesbitt Burns Inc. and Ketch and the financial advisory agreement dated July 17, 2002 entered into between TD Securities Inc. and Ketch;

(j) there are no actions, suits, other legal, administrative or arbitration proceedings or government investigations commenced, or to the knowledge of Ketch contemplated, at law or in equity or before or by any court or other Governmental Authority and which involve or affect Ketch, ExploreCo or the Production Business, including, without limitation, the title to, or ownership of, the Production Business, which could have a material adverse effect, financial or otherwise, on the assets, liabilities, business, operations, prospects, affairs, capital or financial condition of Ketch, ExploreCo or the Production Business and, to the best of the knowledge, information and belief of Ketch, there are no grounds upon which any such actions, suits or proceedings may be commenced with a reasonable likelihood of success;

(k) the authorized capital of Ketch consists of an unlimited number of Ketch Shares of which as at the date hereof, only 46,744,285 Ketch Shares are issued and outstanding as at June 30, 2002, all of which are issued as fully paid and non-assessable;

(l) no person has any agreement, option, right or privilege (including, without limitation, whether by law, pre-emptive right, contract or otherwise) to purchase, subscribe for, convert into, exchange for or otherwise require the issuance of, nor any agreement, option, right or privilege capable of becoming any such agreement, option, right or privilege, any of the unissued shares or other securities of Ketch except for Ketch Options to purchase in the aggregate not more than 3,338,000 Ketch Shares and Ketch Warrants to purchase in aggregate not more than 339,000 Ketch Shares;

(m) the respective minute books of each of Ketch and ExploreCo are true and correct in all material respects and contain the minutes of all meetings and all resolutions of the directors and shareholders thereof;

(n) the Ketch Financial Statements have been prepared in accordance with generally accepted accounting principles applicable in Canada applied on a basis consistent with that of prior periods (except as stated therein) and present fairly the financial position of Ketch as of the dates provided therein and the results of its operations and the changes in financial position for the periods then ended and reflect all assets, liabilities and obligations (absolute, accrued, contingent or otherwise) of Ketch as at the dates thereof;

(o) no securities commission or similar regulatory authority has issued any order preventing or suspending trading of any securities of Ketch, and Ketch is not in default of any requirement of Applicable Laws;

(p) the information and statements set forth in the Ketch Public Documents were true, correct and complete and did not contain any material misrepresentations, as of their respective dates, no material change has occurred in relation to Ketch which is not disclosed in such public record, and Ketch has not filed any confidential material change reports which continue to be confidential;

(q) since December 31, 2001, Ketch has:

(i) not amended its articles, by-laws or other governing documents;

(ii) not disposed of any property or assets out of the ordinary course of business;

(iii) conducted its business in all material respects in the usual, ordinary and regular course and consistent with past practice;

(iv) not suffered any material adverse change, financial or otherwise, in its business, financial condition, assets, properties, liabilities or operations (taken as a whole) or any occurrences or circumstances which have resulted or might reasonably be expected to result in a material adverse change thereto (other than changes attributable to fluctuations in the prices of commodities);

(v) not made any change in its accounting principles and practices as theretofore applied including, without limitation, the basis upon which its assets and liabilities are recorded on its books and its earnings and profits and losses are ascertained; and

(vi) maintained in effect salary and other compensation levels in accordance with its then existing salary administration program;

(r) Ketch and each of its subsidiaries and partnerships has conducted and is conducting its business in accordance with good oilfield practices and in compliance in all material respects with all Applicable Laws, rules and regulations and, in particular, all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to Ketch and each of its subsidiaries and partnerships of each jurisdiction in which it carries on business and holds all licenses, registrations and qualifications material to its business and assets in all jurisdictions in which it carries on business and where the failure to so conduct business or be in such compliance would have a material adverse effect on the business of Ketch, taken as a whole, which are necessary or desirable to carry on the business of Ketch and its subsidiaries and partnerships, as now conducted, and none of such licenses, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any material adverse effect, financial or otherwise, on the business of Ketch, taken as a whole, or the Production Business;

(s) all ad valorem, property, production, severance and similar taxes and assessments based on or measured by the ownership of property or the production of petroleum substances or the receipts of proceeds therefrom payable by Ketch and each of its subsidiaries and partnerships in respect of any properties or assets up to the date hereof and to the Effective Time have been or will be properly and fully paid and discharged;

(t) no officer, director, employee or consultant of Ketch, any associate or affiliate of any such person or any party not at arm’s length to Ketch owns, has or is entitled to any royalty, net profits interest, carried interest or other Encumbrances of any nature whatsoever which are based on production from Ketch’s properties or assets or any revenue or rights attributed thereto;

(u) except as have been disclosed in writing to Acclaim prior to the date hereof, there are no contracts or arrangements to which Ketch is a party with any director, officer, employee or consultant of Ketch, or any associate or affiliate of any such director, officer, employee or consultant, nor is there any indebtedness owing by Ketch to any such parties or by any such parties to Ketch and the aggregate amount payable under all written employment contracts, previously disclosed in writing to Acclaim, payable upon the completion of the Arrangement does not exceed $3.0 million;

(v) no securities commission or similar regulatory authority has issued any order preventing or suspending trading in any securities of Ketch and Ketch is not in default of any requirements of Applicable Laws;

(w) Ketch has made available to Gilbert Laustsen Jung Associates Ltd., prior to the issuance of the Ketch GLJ Reserve Report, all information material to an adequate determination of oil and gas reserves, none of such information contained a material misrepresentation and (other than as may be affected by the disposition of petroleum and natural gas assets in the ordinary course) Ketch has no knowledge of any material adverse change to the oil and gas reserves of Ketch since the effective date of the Ketch GLJ Reserve Report;

(x) Ketch is not aware of any defects, failures or impairments in the title of Ketch and each of its subsidiaries and partners to its oil and gas properties or facilities including, without limitation, those to be included in the Production Business, whether or not an action, suit, proceeding or inquiry is pending or threatened and whether or not discovered by any third party, which in aggregate could have a material adverse effect, financial or otherwise, on the business of Ketch or the Production Business, or the anticipated cash-flow of Ketch or the Production Business;

(y) the Ketch Net Debt does exceed $135 million as at the date hereof;

(z) the Tax Pools of Ketch and each of its subsidiaries and partnership are not less than $200 million as at December 31, 2001;

(aa) except as disclosed in writing to Acclaim, Ketch and each of its subsidiaries has duly and timely filed, in proper form, returns in respect of taxes under the *Income Tax Act*, the *Alberta Corporate Tax Act* (Alberta), the income tax legislation of any other province of Canada or any foreign country in which it carries on business or to the jurisdiction of which it is otherwise subject, the *Mines and Minerals Tax Act* (Alberta), the *Freehold Mineral Rights Tax Act* (Alberta) and similar legislation of other provinces having jurisdiction over the affairs of Ketch and each of its subsidiaries, and the *Excise Tax Act* (Canada) for all prior periods in respect of which such filings have heretofore been required, and all taxes shown thereon and all taxes owing with respect to periods ending on or prior to December 31, 2001 have been paid or accrued on the books of Ketch calculated in accordance with Canadian generally acceptable accounting principles and all payments by Ketch and each of its subsidiaries to any non-resident of Canada have been made in accordance with all applicable legislation in respect of withholding tax; Ketch and each of its subsidiaries has withheld from each payment made to any of its officers, directors, former directors and employees the amount of all taxes (including, without limitation, income tax) and other deductions required to be withheld therefrom and has paid the same to the proper tax or other authority within the time required under any applicable tax legislation; Ketch and each of its subsidiaries has made all instalment payments required to be made prior to the date hereof under all applicable tax legislation; and Ketch and each of its subsidiaries has paid all taxes which are due and payable as at the date hereof;

(bb) there are no outstanding agreements or waivers material to Ketch extending the statutory period of limitations applicable to any federal, provincial or other income tax return for any period and there are no proposed or issued assessments or reassessments respecting Ketch material to Ketch or the Production Business pursuant to which there are amounts owing or discussions in respect thereof with any taxing authority;

(cc) except as disclosed in writing to Acclaim, Ketch is not a party to any written contracts of employment or collective bargaining agreements and there are no currently existing employment benefit plans, arrangements or agreements, other than the share option plan, employee stock savings plan, vacation entitlements, health and group insurance plans and customary government plans such as Canada Pension Plan, Employment Insurance and Workers Compensation, to which Ketch is a party or by which it is bound;

(dd) to the best of the knowledge of Ketch and ExploreCo, except to the extent that any violation or other matter referred to in this paragraph does not have a material adverse effect, financial or otherwise, on the business, assets, properties, condition (financial or otherwise), results of operations or prospects of Ketch, taken as a whole, or the Production Business:

  (i) Ketch and each of its subsidiaries and partnerships is not in violation of any applicable federal, provincial, municipal or local laws, regulations, orders, government decrees or ordinances with respect to environmental, health or safety matters (collectively, "Environmental Laws");

  (ii) Ketch and each of its subsidiaries and partnerships has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;

(iii) except as have been disclosed to Acclaim, there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes which have not been rectified or are in the process of being rectified on any of the real property owned or leased by Ketch or its subsidiaries or partnerships or under their control;

(iv) there have been no releases, deposits or discharges, in violation of Environmental Laws, of any hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by Ketch or its subsidiaries or partnerships;

(v) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of Ketch or its subsidiaries or partnerships;

(vi) Ketch and each of its subsidiaries and partnerships has not failed to report to the proper Governmental Authority the occurrence of any event which is required to be so reported by any Environmental Law; and

(vii) Ketch and each of its subsidiaries and partnership holds all licenses, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of its assets, all such licenses, permits and approvals are in full force and effect, and except for (A) notifications and conditions of general application to assets of the type owned by Ketch and each of its subsidiaries and partnership, and (B) notifications relating to reclamation obligations under the *Environmental Protection and Enhancement Act* (Alberta), Ketch and each of its subsidiaries and partnership has not received any notification pursuant to any Environmental Laws that any work, repairs, construction or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any license, permit or approval issued pursuant thereto, or that any license, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;

(ee) Ketch is a "reporting issuer" or has equivalent status in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec, and the Ketch Shares are listed on the TSX, and Ketch has not been notified of any default or alleged default by Ketch of any requirement of securities and corporate laws, regulations, orders, notices and policies which remains outstanding;

(ff) all information relating to Ketch, ExploreCo and the Production Business in the Information Circular shall be true and complete in all material respects and shall not contain any misrepresentation; and

(gg) all of the data and information in respect of Ketch and the Production Business provided or disclosed to Acclaim or any of its officers, employees, agents or other representatives was and is accurate and correct in all material respects.

ARTICLE 7
ACCLAIM AND ACCLAIM ENERGY'S REPRESENTATIONS AND WARRANTIES

7.1 Acclaim and Acclaim Energy represents and warrants to Ketch and ExploreCo that:

(a) Acclaim is a trust duly settled and validly existing under the laws of the Province of Alberta and has the capacity, power and authority to own or lease its property and assets and to carry on its business as now conducted by it;

(b) Acclaim Energy is duly organized and validly existing under the laws of the Province of Alberta, has the capacity, power and authority to own or lease its properties and assets and to carry on its business as now conducted by it;

(c) each of Acclaim and Acclaim Energy is duly qualified to carry on business in each jurisdiction in which the nature of its business or the property or assets owned or leased by it makes such qualification necessary, except where the failure to be so qualified will not have a material adverse effect on the business, assets, properties, condition (financial or otherwise), results of operations or prospects of Acclaim, taken as a whole;

(d) Acclaim does not have any subsidiaries other than Acclaim Energy and Acclaim Energy has no subsidiaries;

(e) each of Acclaim and Acclaim Energy has complied with and is in compliance with all laws or regulations applicable to the operation of its business, including all Applicable Laws, except where failure to do so would not have a material adverse effect on the business, assets, properties, condition (financial or otherwise), results of operations or prospects of Acclaim and Acclaim Energy, taken as a whole, and Acclaim and Acclaim Energy has all licenses, permits, orders or approvals of, and has made all required registrations with any government or regulatory body that are material to the conduct of its business;

(f) each of Acclaim and Acclaim Energy has all requisite power and authority to enter into this Agreement and the Joint Venture Agreement and all documents to be delivered pursuant hereto and, subject to the terms hereof, to perform its obligations hereunder and thereunder;

(g) the execution and delivery of this Agreement and the Joint Venture Agreement and all documents to be delivered pursuant hereto, the performance of the terms hereof and thereof and the consummation of the transactions contemplated herein and therein do not and will not:

(i) result in the breach of or violate any term or provision of the governing documents of Acclaim or Acclaim Energy;

(ii) conflict with, result in a 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 Acclaim or Acclaim Energy is a party or by which they are bound or to which any of their property is subject; or

(iii) violate any provision of law or administrative regulation or any judicial or administrative order, award, judgment or decree applicable to Acclaim or Acclaim Energy;

except to the extent such result or occurrence as set forth in this subsection 7.1(g) does not have a material adverse effect, financial or otherwise, on the business, assets, properties, condition (financial or otherwise) results of operations or prospects of Acclaim;

(h) each of this Agreement and the Joint Venture Agreement has been duly authorized, executed and delivered by Acclaim and Acclaim Energy and all documents to be delivered by Acclaim or Acclaim Energy pursuant hereto will be duly authorized, executed and delivered by Acclaim or

Acclaim Energy, as the case may be, and this Agreement constitutes a legal, valid and binding obligation of Acclaim and Acclaim Energy enforceable in accordance with its terms;

(i) neither Acclaim nor Acclaim Energy has incurred any obligation or liability, contingent or otherwise, for brokerage fees, finder's fees, agent's commission, financial advisory fees or similar forms of compensation with respect to the transactions contemplated herein other than pursuant to a financial advisory agreement dated July 15, 2002 entered into between CIBC World Markets Inc. and Acclaim and Acclaim Energy;

(j) there are no actions, suits, other legal, administrative or arbitration proceedings or government investigations commenced, or to the knowledge of Acclaim or Acclaim Energy contemplated, at law or in equity or before or by any court or other Governmental Authority and which involve or affect Acclaim or Acclaim Energy which could have a material adverse effect, financial or otherwise, on the assets, liabilities, business, operations, prospects, affairs, capital or financial condition of Acclaim and, to the best of the knowledge, information and belief of Acclaim or Acclaim Energy, there are no grounds upon which any such actions, suits or proceedings may be commenced with a reasonable likelihood of success;

(k) the authorized capital of Acclaim consists of an unlimited number of Acclaim Trust Units and an unlimited number of Special Voting Units of which as at the date hereof, only 32,252,809 Acclaim Trust Units are, and of which 1 Special Voting Unit representing 29,171,184 votes is, issued and outstanding, all of which are issued as fully paid and non-assessable;

(l) no person has any agreement, option, right or privilege (including, without limitation, whether by law, pre-emptive right, contract or otherwise) to purchase, subscribe for, convert into, exchange for or otherwise require the issuance of, nor any agreement, option, right or privilege capable of becoming any such agreement, option, right or privilege, any of the unissued shares or other securities of Acclaim except for options to purchase in the aggregate not more than 76,000 Acclaim Trust Units;

(m) the minute books of Acclaim and Acclaim Energy are true and correct in all material respects and contain the minutes of all meetings and all resolutions of the trustees, directors, unitholders or shareholders, as the case may be, thereof;

(n) the Acclaim Financial Statements have been prepared in accordance with generally accepted accounting principles applicable in Canada applied on a basis consistent with that of prior periods (except as stated therein) and present fairly the financial position of Acclaim as of the dates provided therein and the results of its operations and the changes in financial position for the periods then ended and reflect all assets, liabilities and obligations (absolute, accrued, contingent or otherwise) of Acclaim as at the dates thereof;

(o) no securities commission or similar regulatory authority has issued any order preventing or suspending trading of any securities of Acclaim, and Acclaim is not in default of any requirement of Applicable Laws;

(p) the information and statements set forth in the Acclaim Public Documents were true, correct and complete and did not contain any misrepresentations, as of their respective dates, no material change has occurred in relation to Acclaim which is not disclosed in such public record, and Acclaim has not filed any confidential material change reports which continue to be confidential;

(q) since December 31, 2001, Acclaim has:

(i) not amended its governing documents;

(ii) not disposed of any property or assets out of the ordinary course of business;

(iii) conducted its business in all material respects in the usual, ordinary and regular course and consistent with past practice;

(iv) not suffered any material adverse change, financial or otherwise, in its business, financial condition, assets, properties, liabilities or operations (taken as a whole) or any occurrences or circumstances which have resulted or might reasonably be expected to result in a material adverse change thereto (other than changes attributable to fluctuations in the prices of commodities);

(v) not made any change in its accounting principles and practices as theretofore applied including, without limitation, the basis upon which its assets and liabilities are recorded on its books and its earnings and profits and losses are ascertained; and

(vi) maintained in effect salary and other compensation levels in accordance with its then existing salary administration program;

(r) Acclaim Energy has conducted and is conducting its business in accordance with good oilfield practices and in compliance in all material respects with all Applicable Laws, rules and regulations and, in particular, all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to Acclaim Energy of each jurisdiction in which it carries on business and holds all licenses, registrations and qualifications material to its business and assets in all jurisdictions in which it carries on business and where the failure to so conduct business or be in such compliance would have a material adverse effect on the business of Acclaim which are necessary or desirable to carry on the business of Acclaim Energy, as now conducted, and none of such licenses, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any material adverse effect, financial or otherwise, on the business of Acclaim Energy;

(s) all ad valorem, property, production, severance and similar taxes and assessments based on or measured by the ownership of property or the production of petroleum substances or the receipts of proceeds therefrom payable by Acclaim or Acclaim Energy in respect of any properties or assets up to the date hereof and to the Effective Time have been or will be properly and fully paid and discharged;

(t) no officer, director, employee or consultant of Acclaim Energy, any associate or affiliate of any such person or any party not at arm's length to Acclaim Energy owns, has or is entitled to any royalty, net profits interest, carried interest or other Encumbrances of any nature whatsoever which are based on production from Acclaim's properties or assets or any revenue or rights attributed thereto;

(u) except as have been publicly disclosed prior to the date hereof, there are no contracts or arrangements to which Acclaim or Acclaim Energy is a party with any director, officer, employee or consultant of Acclaim Energy, or any associate or affiliate of any such director, officer, employee or consultant, nor is there any indebtedness owing by Acclaim or Acclaim Energy to any such parties or by any such parties to Acclaim or Acclaim Energy;

(v) no securities commission or similar regulatory authority has issued any order preventing or suspending trading of any securities of Acclaim and Acclaim is not in default of any requirement of Applicable Laws;

(w) Acclaim Energy has made available to Sproule Associates Limited prior to the issuance of the Reserve Report, all information material to an adequate determination of oil and gas reserves, none of such information contained a material misrepresentation and (other than as may be affected by the disposition of petroleum and natural gas assets in the ordinary course) Acclaim and Acclaim Energy have no knowledge of any material adverse change to the oil and gas reserves of Acclaim Energy since the effective date of the reserve report;

(x) Acclaim is not aware of any defects, failures or impairments in the title of Acclaim Energy to its oil and gas properties or facilities, whether or not an action, suit, proceeding or inquiry is pending or threatened and whether or not discovered by any third party, which in aggregate could have a material adverse effect, financial or otherwise, on the business of Acclaim Energy or the anticipated cash-flow of Acclaim or Acclaim Energy;

(y) the Acclaim Net Debt does not exceed $18 million as at the date hereof;

(z) the Tax Pools of Acclaim were not less than $5 million as at December 31, 2001 and Tax Pools of Acclaim Energy were not less than $107 million as at December 31, 2001;

(aa) each of Acclaim and Acclaim Energy has duly and timely filed, in proper form, returns in respect of taxes under the *Income Tax Act*, the *Alberta Corporate Tax Act* (Alberta), the income tax legislation of any other province of Canada or any foreign country in which it carries on business or to the jurisdiction of which it is otherwise subject, the *Mines and Minerals Tax Act* (Alberta), the *Freehold Mineral Rights Tax Act* (Alberta) and similar legislation of other provinces having jurisdiction over the affairs of Acclaim and Acclaim Energy, and the *Excise Tax Act* (Canada) for all prior periods in respect of which such filings have heretofore been required, and all taxes shown thereon and all taxes owing with respect to periods ending on or prior to December 31, 2001 have been paid or accrued on the books of Acclaim calculated in accordance with Canadian generally acceptable accounting principles and all payments by Acclaim or Acclaim Energy to any non-resident of Canada have been made in accordance with all applicable legislation in respect of withholding tax; and Acclaim Energy has withheld from each payment made to any of its officers, directors, former directors and employees the amount of all taxes (including, without limitation, income tax) and other deductions required to be withheld therefrom and has paid the same to the proper tax or other authority within the time required under any applicable tax legislation; Acclaim and Acclaim Energy has made all instalment payments required to be made prior to the date hereof under all applicable tax legislation; and Acclaim and Acclaim Energy has paid all taxes which are due and payable as at the date hereof;

(bb) there are no outstanding agreements or waivers material to Acclaim extending the statutory period of limitations applicable to any federal, provincial or other income tax return for any period and there are no proposed or issued assessments or reassessments respecting Acclaim material to Acclaim pursuant to which there are amounts owing or discussions in respect thereof with any taxing authority;

(cc) except as disclosed in writing to Ketch, Acclaim Energy is not a party to any written contracts of employment or collective bargaining agreements and there are no current existing employment benefit plans, arrangements or agreements, other than change of control payment under employment agreements requiring payments of not more than $800,000 in aggregate, vacation entitlements, health and group insurance plans and customary government plans such as Canada Pension Plan, Employment Insurance and Worker's Compensation, to which Acclaim Energy is a party or by which it is bound;

(dd) to the best of the knowledge of Acclaim and Acclaim Energy, except to the extent that any violation or other matter referred to in this paragraph does not have a material adverse effect, financial or otherwise, on the business, assets, properties, condition (financial or otherwise), results of operations or prospects of Acclaim and Acclaim Energy:

(i) Acclaim Energy is not in violation of any applicable federal, provincial, municipal or local laws, regulations, orders, government decrees or ordinances with respect to environmental, health or safety matters (collectively, "Environmental Laws");

(ii) Acclaim Energy has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;

(iii) except as have been disclosed to Ketch, there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes which have not been rectified or are in the process of being rectified on any of the real property owned or leased by Acclaim and Acclaim Energy or under its control;

(iv) there have been no releases, deposits or discharges, in violation of Environmental Laws, of any hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by Acclaim Energy ;

(v) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of Acclaim Energy;

(vi) Acclaim Energy has not failed to report to the proper Governmental Authority the occurrence of any event which is required to be so reported by any Environmental Law; and

(vii) Acclaim Energy holds all licenses, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of its assets, all such licenses, permits and approvals are in full force and effect, and except for (A) notifications and conditions of general application to assets of the type owned by Acclaim, and (B) notifications relating to reclamation obligations under the *Environmental Protection and Enhancement Act* (Alberta), Acclaim Energy has not received any notification pursuant to any Environmental Laws that any work, repairs, construction or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any license, permit or approval issued pursuant thereto, or that any license, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;

(ee) Acclaim is a "reporting issuer" or has equivalent status in each of the provinces of Canada, and the Acclaim Trust Units are listed on the TSX, and Acclaim has not been notified of any default or alleged default by Acclaim of any requirement of securities and corporate laws, regulations, orders, notices and policies;

(ff) the Acclaim Trust Units to be issued pursuant to the Plan of Arrangement will, upon issuance, be duly and validly issued as fully paid and non-assessable shares of Acclaim;

(gg) Acclaim and Acclaim Energy are entitled, in their sole discretion, to terminate the Management Agreement at the cost contemplated in Section 3.1(f) and Acclaim Energy Management Inc. has agreed to the payments contemplated in Sections 3.1(f) and (g) of this Agreement;

(hh) all information relating to Acclaim provided by Acclaim to Ketch for inclusion in the Information Circular shall be true and complete in all material respects and shall not contain any misrepresentation; and

(ii) all of the data and information in respect of Acclaim provided or disclosed to Ketch or any of its officers, employees, agents or other representatives was and is accurate and correct in all material respects.

ARTICLE 8
KETCH'S AND EXPLORECO'S COVENANTS

8.1 Ketch covenants and agrees that, until Closing or the termination of this Agreement, whichever is the earlier, except with the prior written consent of Acclaim:

(a) other than as contemplated herein, it will not, directly or indirectly, do or permit to occur any of the following:

(i) pursue any other material corporate acquisition or disposition, amalgamation, merger, arrangement or purchase or sale of assets or make any other material change to the business, capital or affairs of Ketch;

(ii) issue, enter into any agreement to issue or grant any right to acquire (whether absolute or contingent) any securities of Ketch other than the issuance of Ketch Shares pursuant to outstanding Ketch Options and Ketch Warrants;

(iii) propose or effect any changes in its capital structure or its articles or by-laws;

(iv) split, combine or re-classify the outstanding Ketch Shares, or declare, set aside or pay any dividend or other distribution payable in cash, stock, property or otherwise in respect of Ketch Shares;

(v) redeem, purchase or offer to purchase any Ketch Shares or other securities;

(vi) reduce the stated capital of Ketch or any of its outstanding shares;

(vii) pay any dividends or make any distributions to its shareholders;

(viii) acquire or agree to acquire (by merger, amalgamation, acquisition of securities or assets or otherwise) any person, corporation, partnership or other business or organization or division or, except in the ordinary course of business, any assets or property;

(ix) conduct any activity or operations that would otherwise be detrimental to the Arrangement;

(x) other than pursuant to commitments entered into by Ketch prior to the date of the Agreement, expend any amounts, incur any liabilities, create any Encumbrance on any of its properties or assets, enter into any agreements, arrangements, provide any loans, or make any commitments outside of the ordinary course of business (whether absolute, contingent or otherwise), or make any offers that could result in any agreements or commitments, whether or not in the ordinary course of business, in an amount in excess of $100,000 in respect of any one transaction or $1 million in the aggregate;

(xi) other than pursuant to commitments entered into by Ketch prior to the date of the Agreement, pay, discharge or satisfy any material claims, liabilities or obligations other than in the ordinary course of business consistent with past practice;

(xii) enter into or close any hedge, swaps or other like transactions;

(xiii) other than pursuant to commitments entered into by Ketch prior to the date of the Agreement, sell, dispose of, transfer, convey, encumber, surrender, release or abandon the whole or any part of its assets, other than production in the ordinary course;

(xiv) grant any officer or director an increase in compensation in any form or take any action with respect to the amendment or grant of any severance or termination pay policies or arrangements for any directors, officers or employees, nor adopt or amend or make any contribution to any bonus, profit-sharing, option, pension, retirement, deferred compensation, insurance, incentive compensation, other compensation or other similar plan from a trust fund or arrangement for the benefit of directors, officers or employees except as is necessary to comply with applicable laws or the existing provisions of any such plans or agreement or make any loan to any director, officer, employee, consultant or any other party not at arm’s length with Ketch provided that Ketch may:

(A) accelerate the vesting of any Ketch Options; and

(B) Ketch may agree with any holders of Ketch Options that, in lieu of such person exercising their Ketch Options, Ketch will pay to that person with respect to up to 50% of such person's Ketch Options the difference between the exercise price of their Ketch Options and an amount equal to the 5 day weighted average trading price of the Ketch Shares for the 5 trading days prior to the Effective Date in exchange for the termination of such Ketch Options and provided that such holders agree to exercise or surrender their remaining unexercised Ketch Options to Ketch for cancellation for no consideration effective at the Effective Time;

(xv) take any action, refrain from taking any action, permit any action to be taken or not taken, inconsistent with this Agreement, which might directly or indirectly interfere or affect the consummation of the Arrangement;

(b) it shall:

(i) except as otherwise permitted in this agreement, conduct Ketch’s business and the business of its subsidiaries and partnerships only in the usual ordinary course of business consistent with past practice (for greater certainty, where it is an operator of any property, it shall operate and maintain such property in the proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property) and Ketch shall consult with Acclaim in respect of the ongoing business and affairs of Ketch and its subsidiaries and keep Acclaim up to date on all material developments related thereto;

(ii) provide to Acclaim reports on Ketch's operations and affairs as may be requested from time to time by Acclaim;

(iii) use its best efforts to cause its current insurance (or re-insurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;

(iv) use its best efforts to preserve intact its business organizations and goodwill and to maintain satisfactory relationships with suppliers, distributors, customers and others having business relationships with it; and

(v) promptly notify Acclaim orally and in writing of any material adverse change in the normal course of its business or in the operation of its business or in the operation of its properties, and of any material governmental or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated);

(c) it shall not, and shall cause its directors, officers, employees, advisors and other representatives ("Representatives") not to, nor shall it permit any of its subsidiaries or partnerships to, directly or indirectly:

(i) solicit, facilitate, initiate, encourage or take any action to solicit, facilitate, initiate, entertain or encourage, any inquiries or communication regarding or the making of any proposal or offer that constitutes or may constitute a Ketch Acquisition Proposal (as defined below) (including, without limitation, by way of furnishing information) any inquiry or the making of any proposal to Ketch or its shareholders from any person which constitutes, or may reasonably expect it to lead to (in either case whether in one transaction or a series of transactions): (A) an acquisition from Ketch or its shareholders of any securities of Ketch and its subsidiaries; (B) any acquisition of a substantial amount of assets of Ketch or its subsidiaries; (C) an amalgamation, arrangement, merger, consolidation of any of Ketch or its subsidiaries; or (D) any take-over bid, issuer bid, exchange offer, re-capitalization, liquidation, dissolution, re-organization into a royalty trust or income fund or similar transaction involving any of Ketch or its subsidiaries or any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the Arrangement or which would or could reasonably be expected to materially reduce the benefits of the Arrangement to Acclaim (any such inquiry or proposal in respect of any of the foregoing referred to as a "Ketch Acquisition Proposal"). Ketch shall immediately cease and cause to be terminated, and shall cause its subsidiaries and all Representatives to immediately terminate and cause to be terminated, all existing discussions or negotiations with any person conducted heretofore with respect to, or that could reasonably be expected to lead to a Ketch Acquisition Proposal. Ketch shall promptly notify each Representative of its obligations under this Section 8.1(c)(i). Without limiting the foregoing, it is agreed that any violation of the restrictions set forth above by any subsidiary or partnership of Ketch or any

Representative, whether or not such person is purporting to act on behalf of Ketch, shall be deemed to be a breach of this Section 8.1(c)(i);

(ii) enter into or participate in any discussions or negotiations regarding a Ketch Acquisition Proposal or, except in the ordinary course of business, furnish any other person any information with respect to the business, properties, operations, prospects or conditions (financial or otherwise) of Ketch or its subsidiaries or of a Ketch Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate, encourage, any effort or attempt of any other person to do or seek to do any of the foregoing; or

(iii) waive, or otherwise forbear (except in respect of non-material matters) in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to waive or otherwise forbear in respect of any rights or other benefits of Ketch or its subsidiaries in any confidential information agreement, including, without limitation, any "standstill provision" thereunder;

provided that the foregoing shall not prevent the board of directors of Ketch from responding as required by law to any *bona fide* unsolicited offer or proposal in writing regarding a Ketch Acquisition Proposal from a third party (provided that prior to providing any additional information, such third party first enters into a confidentiality agreement substantially similar to the confidentiality agreement entered into by Acclaim and which confidentiality agreement shall not in any way restrict disclosure to Acclaim by Ketch, including disclosure of prospective discussions and negotiations between Ketch and such third party) or making any disclosure to its shareholders with respect thereto, if and only to the extent that such third party has demonstrated that the funds or other consideration necessary for the Ketch Acquisition Proposal are available and Ketch's board of directors shall further conclude in good faith (i) after receiving advice of its financial advisors, that such Ketch Acquisition Proposal would, if consummated in accordance with its terms, result in a transaction financially more favourable to Ketch and the Ketch Securityholders than the Arrangement; and (ii) after considering applicable law and written advice of its outside counsel, that any such response in connection with such Ketch Acquisition Proposal is necessary in order for the board of directors to act in a manner consistent with its fiduciary duties under applicable law and after giving effect to all proposals to adjust the terms and conditions of this Agreement and the Arrangement which may be offered by Acclaim during the 48 hours notice period set forth below. Ketch shall give Acclaim orally and in writing at least 48 hours advance notice of any decision by the board of directors of Ketch to accept, recommend, approve or implement a Ketch Acquisition Proposal. Such notice shall include the identity of the person making the Ketch Acquisition Proposal, the principal business terms and conditions of the Ketch Acquisition Proposal and the general attributes of any non-cash consideration;

(d) it will notify Acclaim immediately if any inquiries or proposals contemplated by subsection 8.1(c) are received by it and the details of any such inquiries or proposals, or if any such information is requested from or any such negotiations or discussions are sought to be initiated or conducted with it;

(e) if any information is provided to a third party after the execution of this Agreement for the purpose of assisting that third party in making an offer or proposal to it or its shareholders which has not been previously made available to Acclaim, such information will simultaneously be provided to Acclaim;

(f) it will keep Acclaim fully informed as to the decisions required with respect to the most advantageous methods of exploring, operating and producing from the Production Business;

(g) it will use reasonable commercial efforts to cooperate with Acclaim to enable an orderly integration of the business and affairs of Ketch with Acclaim after the Effective Date;

(h) it will make available and cause to be made available to Acclaim, its agents and advisors, as Acclaim may reasonably request, all documents and agreements (including without limitation, any correspondence between Ketch and its advisors or any governmental body and all minute books) and access to Ketch's premises, field operations, records, computer systems and employees in any way relating to or affecting the Production Business, the Tax Pools, or the business, operations, prospects, affairs or financial status of Ketch and such other documents or agreements as may be necessary to enable Acclaim to verify the truth of the representations and warranties of Ketch and ExploreCo herein and compliance by Ketch and ExploreCo with the terms and conditions hereof, except where Ketch or ExploreCo is contractually precluded from making such document or agreement available, and cooperate with Acclaim in securing access for Acclaim to any such documentation not in the possession or under the control of Ketch or ExploreCo;

(i) it will make available to Acclaim, and consents to the use of, all financial statements which may be required to be disclosed in the Information Circular or in other Acclaim documents required under Applicable Law and it will use its reasonable commercial best efforts to cause its auditors, to the extent required under Applicable Law, to provide their consent to use of their report and use of their name in connection with any disclosure by Acclaim of such financial statements;

(j) it will not disclose to any person, other than officers, directors and key employees and professional advisors of Ketch or ExploreCo, any confidential information relating to Acclaim except information disclosed in the Information Circular, required to be disclosed by law or otherwise known to the public;

(k) it will not take any action or omit to take any action which results in a reduction of the Tax Pools of Ketch except for actions permitted under this Agreement;

(l) it will not take any action that would render, or that may reasonably be expected to render, any representation or warranty made by Ketch or ExploreCo in this Agreement untrue at any time prior to the Effective Time;

(m) it will, together with ExploreCo, enter into the Conveyance Agreements as soon as reasonably practicable;

(n) it will use its best efforts to fulfill or cause the fulfilment of the conditions set forth in Sections 4.1 and 5.1, to the extent the fulfilment of the same is within the control of Ketch;

(o) it will forthwith file, proceed with and diligently prosecute an application to the Court under the ABCA for an Interim Order of the Court with respect to the matters pertaining to the Arrangement and acceptable to Acclaim acting reasonably;

(p) it will:

(i) forthwith carry out the terms of the Interim Order to the extent applicable to it;

(ii) convene the Meeting and distribute copies of this Agreement (or a written summary thereof prepared by Ketch in form and substance reasonably satisfactory to Acclaim), in each case as ordered by the Interim Order;

(iii) solicit proxies to be voted at the Meeting in favour of the Arrangement;

(iv) provide notice to Acclaim of the Meeting and allow Acclaim's representatives to attend the Meeting unless such attendance is prohibited by rules governing such Meeting; and

(v) conduct the Meeting in accordance with the Interim Order, the bylaws of Ketch and any instrument governing such Meeting, as applicable, and as otherwise required by law;

(q) it will prepare (in consultation with Acclaim), file and distribute to the Ketch Securityholders in a timely and expeditious manner, the Information Circular, and any amendments or supplements to the Information Circular, and will include the Fairness Opinion as a schedule thereto, all as required by the Interim Order or by applicable law, in all jurisdictions where the same is required complying in all material respects with all applicable legal requirements on the date of issue thereof;

(r) subject to the provisions of Section 8.3, it will include in the Information Circular the unanimous recommendation of the board of directors of Ketch that the Ketch Shareholders and Ketch Optionholders vote in favour of the Arrangement;

(s) it will, subject to the approval of the Arrangement in accordance with the provisions of the Interim Order, forthwith file, proceed with and diligently prosecute an application for the Final Order;

(t) it will forthwith carry out the terms of the Final Order to the extent applicable to Ketch and will forthwith file Articles of Arrangement and the Final Order with the Registrar;

(u) except for proxies and other non-substantive communications with security holders, Ketch will furnish promptly to Acclaim a copy of each notice, report, schedule or other document delivered, filed or received by Ketch in connection with: (i) the Arrangement; (ii) the Meeting; (iii) any filings under Applicable Laws; and (iv) any dealings with regulatory agencies in connection with the transactions contemplated herein;

(v) it will make other necessary filings and applications under applicable Canadian federal and provincial and U.S. laws and regulations required on the part of Ketch or ExploreCo in connection with the transactions contemplated herein and take all reasonable action necessary to be in compliance with such laws and regulations; and

(w) it will promptly advise Acclaim of the number of Ketch Shares and Ketch Options for which Ketch has received notices of dissent or written objections to the Plan of Arrangement and will provide Acclaim with copies of such notices or written objections.

Notwithstanding any other provision of this Agreement, Ketch may extend its directors' and officers' insurance coverage for a period of up to one year following the Effective Date on terms and conditions as to coverage and premiums substantially the same as Ketch's existing directors' and officers' insurance.

8.2 ExploreCo covenants and agrees that, until the Closing or the termination of this Agreement, whichever is the earlier, ExploreCo:

(a) will use its reasonable commercial efforts to fulfil or cause the fulfilment of the conditions set forth in Sections 4.1 and 5.1 to the extent the fulfilment of the same is within the control of ExploreCo;

(b) will not conduct any business, acquire any assets, incur any liabilities or allow any Encumbrances to be created against it except as contemplated by the Arrangement and the Conveyance Agreement and Joint Venture Agreement including, without limitation, undertaking such business and activity as may reasonably be necessary to ensure that ExploreCo will have the requisite business organization, personnel and business relationships to own and operate the Exploration Assets to be acquired pursuant to the Conveyance Agreements and conduct generally the business of an oil and gas company from and after the Effective Date;

(c) will forthwith carry out the terms of the Interim Order to the extent applicable to it, including satisfaction of amounts payable on exercise of rights of dissent as granted under the Interim Order, as applicable;

(d) will, subject to the approval of the Arrangement in accordance with the provisions of the Interim Order, forthwith file, proceed with and diligently prosecute an application for the Final Order;

(e) will forthwith carry out the terms of the Final Order to the extent applicable to ExploreCo;

(f) it will, together with Ketch, enter into the Conveyance Agreements as soon as reasonably practicable;

(g) will make other necessary filings and applications under applicable Canadian federal and provincial and U.S. laws and regulations required on the part of ExploreCo in connection with the transactions contemplated herein and take all reasonable action necessary to be in compliance with such laws and regulations.

8.3 Notwithstanding the representation in subsection 6.1(h) or the covenant of Ketch in subsection 8.1(r) but subject to compliance with subsection 8.1(c), if prior to the completion of the Arrangement, another bona fide Ketch Acquisition Proposal is proposed, offered or made to the holders of Ketch Shares or to Ketch which, in the bona fide opinion of Ketch's board of directors, after consultation with its financial advisors, would result in a financially superior transaction, directly or indirectly, for the holders of Ketch Shares than that contemplated by the Arrangement, the board of directors of Ketch may withdraw, modify or change the recommendation regarding the Arrangement if, in the opinion of such board of directors acting reasonably and upon the advice of its outside legal counsel, such withdrawal, modification or change is required in discharge of the fiduciary duties of the board of directors of Ketch.

8.4 Ketch agrees to pay Acclaim in cash (on the date of the occurrence of any event below) the amount of $9 million (the "Break Fee") if:

(a) the board of directors of Ketch fails to recommend that Ketch Securityholders vote in favour of the Arrangement or the board of directors of Ketch withdraws or, in a manner materially adverse to the Arrangement, modifies or changes it recommendation to Ketch Securityholders to vote in favour of the Arrangement;

(b) a *bona fide* Ketch Acquisition Proposal is made or announced and not withdrawn prior to the Meeting to all or substantially all holders of Ketch Shares, the Plan of Arrangement is not approved at the Meeting and the Ketch Acquisition Proposal is completed within 12 months of the Meeting; or

(c) a breach by Ketch of any of its covenants, agreements, representations and warranties in the Agreement which makes it impossible or unlikely that all of the conditions of the Arrangement will be satisfied.

The provisions of this Section 8.4 shall survive termination of this Agreement (provided in the case of subsection 8.4(b) hereof, such Ketch Acquisition Proposal shall have been made or announced prior to notice of termination).

ARTICLE 9
ACCLAIM'S AND ACCLAIM ENERGY'S COVENANTS

9.1 Acclaim and Acclaim Energy covenant and agree that until the Closing or the termination of this Agreement, whichever is the earlier, Acclaim and Acclaim Energy:

(a) other than as contemplated herein, it will not, directly or indirectly, do or permit to occur any of the following:

(i) pursue any other material corporate acquisition or disposition, amalgamation, merger, arrangement or purchase or sale of assets or make any other material change to the business, capital or affairs of Acclaim;

(ii) issue, enter into any agreement to issue or grant any right to acquire (whether absolute or contingent) any securities of Acclaim provided that Acclaim may issue up to 15 million Acclaim Trust Units at a price to be agreed upon by Acclaim and Ketch, acting reasonably and Acclaim Trust Units pursuant to outstanding options to purchase Acclaim Trust Units;

(iii) propose or effect any changes in its capital structure or its governing documents;

(iv) split, combine or re-classify the outstanding Acclaim Trust Units, or declare, set aside or pay any distribution payable in respect of Acclaim Trust Units other than in accordance with Acclaim's existing distribution policy;

(v) redeem, purchase or offer to purchase any Acclaim Trust Units or other securities except pursuant to Acclaim's outstanding normal course issuer bid;

(vi) pay any distributions to its unitholders other than in accordance with Acclaim's existing distribution policy;

(vii) acquire or agree to acquire (by merger, amalgamation, acquisition of securities or assets or otherwise) any person, corporation, partnership or other business or organization or division or, except in the ordinary course of business, any assets or property;

(viii) conduct any activity or operations that would otherwise be detrimental to the Arrangement;

(ix) other than pursuant to commitments entered into by Acclaim prior to the date of the Agreement, expend any amounts, incur any liabilities, create any Encumbrance on any of its properties or assets, enter into any agreements, arrangements, provide any loans, or make any commitments outside of the ordinary course of business (whether absolute, contingent or otherwise), or make any offers that could result in any agreements or commitments, whether or not in the ordinary course of business, in an amount in excess of $100,000 in respect of any one transaction or $1 million in the aggregate;

(x) other than pursuant to commitments entered into by Acclaim prior to the date of the Agreement, pay, discharge or satisfy any material claims, liabilities or obligations other than in the ordinary course of business consistent with past practice;

(xi) enter into or close any hedge, swaps or other like transactions;

(xii) other than pursuant to commitments entered into by Acclaim prior to the date of the Agreement, sell, dispose of, transfer, convey, encumber, surrender, release or abandon the whole or any part of its assets, other than production in the ordinary course;

(xiii) grant any officer or director of Acclaim Energy an increase in compensation in any form or take any action with respect to the amendment or grant of any severance or termination pay policies or arrangements for any directors, officers or employees, nor adopt or amend or make any contribution to any bonus, profit-sharing, option, pension, retirement, deferred compensation, insurance, incentive compensation, other compensation or other similar plan from a trust fund or arrangement for the benefit of directors, officers or employees of Acclaim Energy except as is necessary to comply with applicable laws or the existing provisions of any such plans or agreement or make any loan to any director, officer, employee, consultant or any other party not at arm's length with Acclaim Energy;

(xiv) take any action, refrain from taking any action, permit any action to be taken or not taken, inconsistent with this Agreement, which might directly or indirectly interfere or affect the consummation of the Arrangement;

(b) it shall:

(i) except as otherwise permitted in this agreement, conduct Acclaim's and Acclaim Energy's business and the business of its subsidiaries only in the usual ordinary course of business consistent with past practice (for greater certainty, where it is an operator of any property, it shall operate and maintain such property in the proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property) and Acclaim and Acclaim Energy shall consult with Ketch in respect of the ongoing business and affairs of Acclaim and Acclaim Energy and their subsidiaries and keep Ketch up to date on all material developments related thereto;

(ii) provide to Ketch reports on Acclaim's and Acclaim Energy's operations and affairs as may be requested from time to time by Ketch;

(iii) use its best efforts to cause its current insurance (or re-insurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;

(iv) use its best efforts to preserve intact its business organizations and goodwill and to maintain satisfactory relationships with suppliers, distributors, customers and others having business relationships with it; and

(v) promptly notify Ketch orally and in writing of any material adverse change in the normal course of its business or in the operation of its business or in the operation of its properties, and of any material governmental or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated);

(c) will use their reasonable commercial efforts to fulfil or cause the fulfilment of the conditions set forth in Sections 3.1 and 5.1 as soon as reasonably possible to the extent the fulfilment of the same is within the control of Acclaim and Acclaim Energy;

(d) will assist Ketch in the preparation of the Information Circular and provide to Ketch, in a timely and expeditious manner, all information as may be reasonably requested by Ketch or is required by the Interim Order or applicable law, with respect to Acclaim for inclusion in the Information Circular and any amendments or supplements to the Information Circular, in each case complying in all material respects with all applicable legal requirements on the date of issue thereof;

(e) at the Effective Time Acclaim and Acclaim Energy will terminate the Management Agreement;

(f) will forthwith carry out the terms of the Interim Order and the Final Order to the extent applicable to Acclaim provided that nothing shall require Acclaim to consent to any material modification of this Agreement, the Arrangement or Acclaim's obligations hereunder or thereunder; and

(g) will make all other necessary filings and applications under applicable federal, provincial and state laws and regulations in Canada and the United States required on the part of Acclaim in connection with the transactions contemplated herein and take all reasonable commercial action necessary to be in compliance with such laws and regulations, including, without limitation, application to TSX for the approval of the issuance of the Acclaim Trust Units ultimately underlying the AcquisitionCo Preferred Shares.

ARTICLE 10
TERMINATION

10.1 Notwithstanding any other rights contained herein, Acclaim may terminate this Agreement upon notice to Ketch and ExploreCo:

(a) if the Interim Order is set aside or modified in a manner unacceptable to Acclaim, acting reasonably, on appeal or otherwise;

(b) if the Arrangement is not approved by Ketch Securityholders in accordance with the terms of the Interim Order and all applicable corporate and securities laws requirements on or before November 15, 2002;

(c) if the Final Order has not been granted in form and substance satisfactory to Acclaim, acting reasonably on or before November 15, 2002;

(d) in the event the Arrangement has not become effective on or before November 15, 2002;

(e) a circumstance giving rise to payment of the Break Fee shall have occurred;

(f) if the Court, or any other court or a Governmental Authority shall have issued an order or taken any other action, in each case which has become final and non-appealable and which restrains, enjoins or otherwise prohibits the Arrangement; or

(g) upon any other circumstances hereunder that give rise to a termination of this agreement by Acclaim, including those set forth in Sections 4.1 and 5.1 hereof.

10.2 Notwithstanding any other rights contained herein, Ketch and ExploreCo may terminate this Agreement upon notice to Acclaim:

(a) if the Interim Order is set aside or modified in a manner unacceptable to Ketch, acting reasonably, on appeal or otherwise;

(b) if Ketch Securityholders do not approve the Arrangement in accordance with the terms of the Interim Order and all applicable corporate and securities law requirements on or before November 15, 2002;

(c) in the event the Final Order is not granted on or prior to November 15, 2002;

(d) in the event the Arrangement has not become effective on or before November 15, 2002;

(e) if the Court, or any other court or a Governmental Authority shall have issued an order or taken any other action, in each case which has become final and non-appealable and which restrains, enjoins or otherwise prohibits the Arrangement; or

(f) upon any other circumstances hereunder that give rise to a termination of this agreement by Ketch or ExploreCo, including those set forth in Sections 3.1 and 5.1 hereof.

10.3 The exercise by any party of any right of termination hereunder shall be without prejudice to any other remedy available to such party.

10.4 If this Agreement is validly terminated pursuant to any provision of this Agreement, the parties shall return all materials and copies of all materials delivered to Ketch and ExploreCo or Acclaim, as the case may be, or their agents and, except for the obligations set forth in subsections 8.1(j), 8.3, 8.4 and 12.1 (which shall survive any termination of this Agreement and continue in full force and effect), no party shall have any further obligations to any other party hereunder with respect to this Agreement. The covenants contained in this section shall survive any termination of this Agreement and continue in full force and effect.

ARTICLE 11
AMENDMENT

11.1 This Agreement may, at any time and from time to time before or after the holding of the Meeting, be amended by written agreement of the parties hereto without further notice to or authorization on the part of their respective shareholders, 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, term or provision contained herein or in any document delivered pursuant hereto; or

(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;

provided that any such amendment may not reduce or materially adversely affect the consideration to be received by a Ketch Shareholder or Ketch Optionholders, as the case may be.

ARTICLE 12
COSTS

12.1 Except as contemplated in the Arrangement and herein, each party hereto covenants and agrees to bear its own costs and expenses in connection with the transactions contemplated hereby. ExploreCo shall only be required to pay the fee for listing of its common shares on a Canadian stock exchange.

12.2 In the event that the Arrangement is not approved by Ketch Securityholders and provided that no fee is payable pursuant to Section 8.4, Ketch agrees to pay the reasonable out of pocket expenses of Acclaim incurred in connection with the Arrangement and any related financing up to a maximum of $4.0 million, and thereafter any expenses shall be shared on a equal basis between Ketch and Acclaim.

ARTICLE 13
DISCLOSURE

13.1 Unless previously issued, upon execution of this Agreement, the parties hereto shall issue a joint press release which announces that the parties hereto have entered into a formal agreement providing for the implementation of the Plan of Arrangement. No party hereto shall disclose, by press release, any aspect of the transactions contemplated hereby, without prior written consent of the other party. Notwithstanding the foregoing, if either party is required by law or administrative regulation to make any disclosure relating to the transactions contemplated herein, such disclosure may be made, but that party will inform, to the extent reasonably feasible, the other party as to the wording of such disclosure prior to its being made.

ARTICLE 14
NOTICES

14.1 Any notice, consent, waiver, direction or other communication required or permitted to be given under this Agreement by a party to any other party shall be in writing and may be given by delivering same or sending same by facsimile transmission or by hand delivery addressed to the party to whom the notice is to be given at its address for service herein. Any notice, consent, waiver, direction or other communication aforesaid shall, if delivered, be deemed to have been given and received on the date on which it was delivered to the address provided herein (if a business day and, if not, the next succeeding business day) and if sent by facsimile transmission be deemed to have been given and received at the time of receipt unless actually received after 4:00 p.m. at the point of delivery in which case it shall be deemed to have been given and received on the next business day.

14.2 The address for service of each of the parties hereto shall be as follows:

if to Acclaim and Acclaim Energy:

Acclaim Energy Trust
Acclaim Energy Inc.
500, 505 – 3rd Street S.W.
Calgary, Alberta T2P 3E6
Telecopier No.: (403) 262-6977
Attention: Jack C. Lee
President & CEO

with a copy to:

Bennett Jones LLP
4500, 855 – 2nd Street S.W.
Calgary, Alberta T2P 4K7
Telecopier No.: (403) 265-7219
Attention: Garnet M. Schulhauser

if to Ketch or ExploreCo:

Ketch Energy Ltd.
1800, 255 - 5th Avenue S.W.
Calgary, Alberta T2P 3G6
Telecopier No.: (403) 269-4737
Attention: Grant B. Fagerheim
President & CEO

with a copy to:

Burnet, Duckworth & Palmer LLP
Suite 1400, 350 - 7th Avenue S.W.
Calgary, AB T2P 3N9
Telecopier No.: (403) 260-0332
Attention: Grant A. Zawalsky

ARTICLE 15
TIME

15.1 Time shall be of the essence in this Agreement.

ARTICLE 16
ENTIRE AGREEMENT

16.1 This Agreement:

(a) from the date hereof constitutes the entire agreement and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof; and

(b) is not intended to confer upon any other person any rights or remedies hereunder.

ARTICLE 17
SEVERABILITY

17.1 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.

ARTICLE 18
FURTHER ASSURANCES

18.1 Each party hereto shall, from time to time, and at all times hereafter, at the request of the 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.

18.2 The parties agree to proceed and cooperate in good faith to negotiate, prepare and execute a definitive Joint Venture Agreement containing representations, warranties, terms and conditions customary for a transaction of the nature contemplated in Exhibit 2 to this Agreement.

18.3 The parties agree to proceed and co-operate in good faith to negotiate, prepare and execute a definitive Conveyance Agreement containing representations, warranties, terms and conditions customary for such transaction.

ARTICLE 19
GOVERNING LAW

19.1 This Agreement shall be governed by, and be construed in accordance with, the laws of the Province of Alberta and applicable laws of Canada but the reference to such laws shall not, by conflict of laws rules or otherwise, require the application of the law of any jurisdiction other than the Province of Alberta.

19.2 Each party hereto hereby irrevocably attorns to the jurisdiction of the Courts of the Province of Alberta in respect of all matters arising under or in relation to this Agreement.

ARTICLE 20
EXECUTION IN COUNTERPARTS

20.1 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.

ARTICLE 21
WAIVER

21.1 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.

ARTICLE 22
ENUREMENT AND ASSIGNMENT

22.1 This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. This Agreement may not be assigned by any party hereto without the prior consent of the other party hereto except that Acclaim may assign all or a portion of its rights under this Agreement to any subsidiary of Acclaim, but no assignment shall relieve Acclaim of its obligations hereunder.

ARTICLE 23
LIABILITY OF THE TRUSTEE

23.1 The parties hereto acknowledge that Computershare Trust Company of Canada (the "Trustee") is entering into this agreement solely in its capacity as Trustee on behalf of Acclaim and the obligations of Acclaim hereunder shall not be personally binding upon the Trustee or any holder of Acclaim Trust Units and that any recourse against Acclaim or any holder of Acclaim Trust Units in any manner in respect of any indebtedness, obligation or liability of Acclaim arising hereunder or arising in connection herewith or from the matters to which this agreement relates, if any, including without limitation claims based on negligence or otherwise tortuous behaviour, shall be limited to, and satisfied only out of, the Trust Fund as defined in the Amended and Restated Trust Indenture dated as of April 20, 2001 as amended from time to time.

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

ACCLAIM ENERGY TRUST, by its attorney **Acclaim Energy Inc.**

Per: "*Jack C. Lee*"
Jack C. Lee

Per: ____________________

ACCLAIM ENERGY INC.

Per: "*Jack C. Lee*"
Jack C. Lee

Per: ____________________

KETCH ENERGY LTD.

Per: "*Grant B. Fagerheim*"
Grant B. Fagerheim

Per: "*J. Paul Charron*"
J. Paul Charron

960348 ALBERTA LTD.

Per: "*Grant B. Fagerheim*"
Grant B. Fagerheim

Per: *J. Paul Charron*"
J. Paul Charron

EXHIBIT 1

PLAN OF ARRANGEMENT UNDER SECTION 193

OF THE

***BUSINESS CORPORATIONS ACT* (ALBERTA)**

ARTICLE 1
INTERPRETATION

1.1 In this Plan of Arrangement, the following terms have the following meanings:

(a) **"ABCA"** means the *Business Corporations Ac*t, Alberta R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

(b) **"Acclaim "** means Acclaim Energy Trust, a trust duly settled under the laws of Alberta;

(c) **"Acclaim Trust Unit"** means a trust unit of Acclaim issued by Acclaim;

(d) **"Acclaim Weighted Average Trading Price"** shall be determined by dividing (i) the aggregate dollar trading value of all Acclaim Trust Units sold on the Toronto Stock Exchange over the five (5) consecutive trading days ending on the trading day next preceding the Effective Date by (ii) the total number of Acclaim Trust Units sold on such stock exchange during such period;

(e) **"AcquisitionCo"** means 984486 Alberta Ltd., a corporation incorporated under the ABCA;

(f) **"Arrangement"**, **"herein"**, **"hereof"**, **"hereto"**, **"hereunder"** and similar expressions mean and refer to the arrangement pursuant to section 193 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;

(g) **"Arrangement Agreement"** means the agreement dated July 18, 2002 among Ketch, ExploreCo, Acclaim and Acclaim Energy Inc. with respect to the Arrangement and all amendments thereto;

(h) **"Articles of Arrangement"** means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been made to give effect to the Arrangement;

(i) **"Certificate"** means the certificate or certificates or other confirmation of filing to be issued by the Registrar pursuant to subsection 193(11) of the ABCA giving effect to the Arrangement;

(j) **"Court"** means the Court of Queen's Bench of Alberta;

(k) **"Depositary"** means Computershare Trust Company of Canada or such other trust company as may be designated by Acclaim and Ketch;

(l) **"Dissenting Optionholders"** means registered Ketch Optionholders who validly exercise the rights of dissent provided to them under the Interim Order;

(m) **"Dissenting Securityholders"** means Dissenting Optionholders and Dissenting Shareholders, collectively;

(n) **"Dissenting Shareholders"** means registered Ketch Shareholders who validly exercise the rights of dissent provided to them under the Interim Order;

(o) **"Effective Date"** means the date the Arrangement is effective under the ABCA;

(p) **"Effective Time"** means the time at which the Articles of Arrangement are filed with the Registrar on the Effective Date;

(q) **"Exercise Price Differential"** means, in respect of a Ketch Option, 95% of the amount by which the Ketch Weighted Average Trading Price exceeds the exercise price of such Ketch Option, multiplied by the number of Ketch Shares to which such Ketch Option relates;

(r) **"ExploreCo"** means 960348 Alberta Ltd., a corporation incorporated under the ABCA;

(s) **"ExploreCo Shares"** means common shares of ExploreCo;

(t) **"Final Order"** means the final order of the Court approving this Arrangement under subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

(u) **"Information Circular"** means the information circular to be prepared by Ketch and forwarded as part of the proxy solicitation materials to holders of Ketch Shares and Ketch Options in respect of the Meeting;

(v) **"Interim Order"** means the interim order of the Court made on August •, 2002 under subsection 193(4) of 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;

(w) **"Ketch"** means Ketch Energy Ltd., a corporation incorporated pursuant to the ABCA;

(x) **"Ketch Options"** means the outstanding stock options, whether or not vested, to acquire Ketch Shares and **"Ketch Optionholder**s" means the holders from time to time of Ketch Options;

(y) **"Ketch Shares"** means the common shares in the capital of Ketch and **"Ketch Shareholders"** means the holders from time to time of Ketch Shares;

(z) **"Ketch Weighted Average Trading Price"** shall be determined by dividing (i) the aggregate dollar trading value of all Ketch Shares sold on the TSX over the five (5) consecutive trading day ending on the trading day next preceding the date of the Meeting by (ii) the total number of Ketch Shares sold on such stock exchange during such period;

(aa) **"Letter of Transmittal "** means the letter of transmittal accompanying the Information Circular sent to the holders of Ketch Shares;

(bb) **"Meeting"** means the special meeting of holders of Ketch Shares and Ketch Options to be held to consider the Arrangement, and any adjournment thereof;

(cc) **"Note Indenture"** means the note indenture to be made between AcquisitionCo and Computershare Trust Company of Canada governing the issuance of the Notes;

(dd) **"Note Trustee"** means Computershare Trust Company of Canada;

(ee) **"Notes"** means the unsecured, subordinated promissory notes having substantially the terms summarized in Schedule A hereto, issuable by AcquisitionCo under the Arrangement in a principal amount per Note equal to the Acclaim Weighted Average Trading Price;

(ff) **"Registrar"** means the Registrar appointed under section 263 of the ABCA; and

(gg) **"Trust Unit Consideration"** means the consideration in the form of Acclaim Trust Units to be received by a holder of Ketch Shares pursuant to section 3.1.

1.2 The division of this Plan of 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 Plan of 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 Plan of 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, funds, unincorporated organizations, governments, regulatory authorities, and other entities.

1.5 The following schedules to this Plan of Arrangement are incorporated by reference herein and form part of this Plan of Arrangement.

Schedule A - Terms of Notes

1.6 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.

1.7 References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

ARTICLE 2
ARRANGEMENT AGREEMENT

2.1 This Plan of Arrangement is made pursuant and subject to the provisions of the Arrangement Agreement.

2.2 This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issue of the Certificate, will become effective on, and be binding on and after, the Effective Time on: (i) the holders of Ketch Shares; (ii) the holders of Ketch Options; (iii) Ketch; (iv) ExploreCo; (v) AcquisitionCo; and (vi) Acclaim.

2.3 The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. 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 and at the times set out therein.

ARTICLE 3
ARRANGEMENT

3.1 Commencing 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 except as otherwise provided herein:

(a) the Ketch Shares and Ketch Options held by Dissenting Securityholders who have exercised Dissent Rights which remain valid immediately prior to the Effective Time shall, as of the Effective Time, be deemed to have been transferred to Ketch (free of any claims) and be cancelled and cease to be outstanding, and as of the Effective Time, such Dissenting Securityholders shall cease to have any rights as securityholders of Ketch other than the right to be paid the fair value of their Ketch Shares or Ketch Options in accordance with Article 4;

(b) Ketch shall distribute to Ketch Shareholders as a return of capital one (1) ExploreCo Share for each one (1) Ketch Share held;

(c) each issued and outstanding Ketch Share shall be transferred to AcquisitionCo in exchange for 1.15 Notes for each Ketch Share held;

(d) each Note shall be transferred by the holder thereof to Acclaim in exchange for Acclaim Trust Units on the basis of one (1.0) Acclaim Trust Unit for each whole Note held;

(e) all unexercised Ketch Options (other than Ketch Options held by Dissenting Optionholders) will be cancelled and the Ketch Optionholders thereof shall be entitled to receive that number of Acclaim Trust Units in respect of each such Ketch Option equal to the Exercise Price Differential of such Ketch Option divided by the Acclaim Weighted Average Trading Price; and

(f) AcquisitionCo shall, contemporaneously with the cancellation of Ketch Options and issuance of Acclaim Trust Units pursuant to section 3.1(e), issue and deliver to Acclaim such number of Notes as is equal to the product of 1.15 and the number of Acclaim Trust Units required to be delivered by Acclaim pursuant to section 3.1(e) in consideration for the cancellation of Ketch Options pursuant to section 3.1(e).

3.2 With respect to each holder of Ketch Shares (other than Dissenting Shareholders) at the Effective Time:

(a) upon the distribution as a return of capital of the ExploreCo Shares pursuant to section 3.1(b):

(i) Ketch shall cease to be a holder of ExploreCo Shares and Ketch shall be removed from the register of holders of ExploreCo Shares; and

(ii) each former Ketch Shareholder shall become the holder of the ExploreCo Shares issuable to such former Ketch Shareholder on the basis set forth in section 3.1(b), and the name of such former Ketch Shareholder shall be added to the register of holders of ExploreCo Shares.

(b) upon the exchange of Ketch Shares for Trust Unit Consideration pursuant to section 3.1(c):

(i) such holder shall cease to be a holder of the Ketch Shares so exchanged and the name of such holder shall be removed from the register of holders of Ketch Shares as it relates to the Ketch Shares so exchanged;

(ii) AcquisitionCo shall become the holder of the Ketch Shares so exchanged and shall be added to the register of holders of Ketch Shares; and

(iii) AcquisitionCo shall allot and issue to such holder the number of Notes issuable to such holder on the basis set forth in section 3.1(c) and the name of such holder shall be added to the register of holders of Notes;

(c) upon the exchange of Notes for Acclaim Trust Units pursuant to section 3.1(d):

(i) each holder of Notes shall cease to be a holder of Notes and the name of such holder shall be removed from the register of holders of Notes;

(ii) Acclaim shall become the holder of the Notes so exchanged and shall be added to the register of holders of Notes; and

(iii) Acclaim shall allot and issue to such holder the number of Acclaim Trust Units issuable to such holder on the basis set forth in section 3.1(d) and the name of such holder shall be added to the register of holders of Acclaim Trust Units; and

(d) upon cancellation of Ketch Options pursuant to section 3.1(e), each holder of such Ketch Option shall cease to be a Ketch Optionholder and the name of such holder shall be removed from the register of Ketch Optionholders.

ARTICLE 4
DISSENTING SECURITYHOLDERS

4.1 Each registered holder of Ketch Shares and each registered holder of Ketch Options shall have the right to dissent with respect to the Arrangement in accordance with the Interim Order. A Dissenting Shareholder or a Dissenting Optionholder (collectively, a "Dissenting Securityholder") shall, at the Effective Time, cease to have any rights as a holder of Ketch Shares or Ketch Options, as the case may be, and shall only be entitled to be paid the fair value of the holder's Ketch Shares or Ketch Options, as applicable. A Dissenting Securityholder who is paid the fair value of the holder's Ketch Shares or Ketch Options, as applicable, shall be deemed to have transferred the holder's Ketch Shares or Ketch Options to Ketch for cancellation at the Effective Time, notwithstanding the provisions of section 191 of the ABCA. A Dissenting Securityholder who for any reason is not entitled to be paid the fair value of the holder's Ketch Shares or Ketch

Options shall be treated as if the holder had participated in the Arrangement on the same basis as a non-dissenting holder of Ketch Shares or Ketch Options, notwithstanding the provisions of section 191 of the ABCA. The fair value of the Ketch Shares or Ketch Options, as the case may be, shall be determined as of the close of business on the last business day before the day on which the Arrangement is approved by the holders of Ketch Shares and Options at the Meeting; but in no event shall Ketch or AcquisitionCo be required to recognize such Dissenting Securityholder as shareholders or optionholders of Ketch or AcquisitionCo after the Effective Time and the names of such holders shall be removed from the applicable register of shareholders or optionholders as at the Effective Time. For greater certainty, in addition to any other restrictions in section 191 of the ABCA, no person who has voted in favour of the Arrangement shall be entitled to dissent with respect to the Arrangement.

ARTICLE 5
OUTSTANDING CERTIFICATES AND FRACTIONAL SECURITIES

5.1 From and after the Effective Time, certificates formerly representing Ketch Shares acquired by AcquisitionCo under the Arrangement shall represent only the right to receive the consideration to which the holders are entitled under the Arrangement, or as to those held by Dissenting Shareholders, other than those Dissenting Shareholders deemed to have participated in the Arrangement pursuant to section 3.1, to receive the fair value of the Ketch Shares represented by such certificates.

5.2 From and after the Effective Time, the option agreements providing for the Ketch Options shall represent only the right to receive the consideration to which the holders are entitled under the Arrangement, or as to those held by Dissenting Optionholders, other than those Dissenting Optionholders deemed to have participated in the Arrangement pursuant to section 3.1, to receive the fair value of the Ketch Options represented by such option agreements.

5.3 Acclaim and AcquisitionCo shall, as soon as practicable following the later of the Effective Date and the date of deposit by a former holder of Ketch Shares acquired by AcquisitionCo under the Arrangement of a duly completed Letter of Transmittal and the certificates representing such Ketch Shares, either:

(a) forward or cause to be forwarded by first class mail (postage prepaid) to such former holder at the address specified in the Letter of Transmittal; or

(b) if requested by such holder in the Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such holder,

certificates representing the number of ExploreCo Shares and Acclaim Trust Units issued to such holder under the Arrangement.

5.4 Ketch shall, as soon as practicable following the Effective Time, either:

(a) forward or cause to be forwarded by first class mail (postage prepaid) to an Ketch Optionholder at the address set forth in the records of Ketch; or

(b) if requested by such Ketch Optionholder in writing, make available or cause to be made available at the offices of Ketch for pickup by such Ketch Optionholder, a certificate representing the payment required to be made to such Optionholder as determined in accordance with subsection 3.1(e).

5.5 If any certificate which immediately prior to the Effective Time represented an interest in outstanding Ketch Shares that were exchanged pursuant to section 3.1 has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the Depositary will issue and deliver in exchange for such lost stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Arrangement (and any dividends or distributions with respect thereto) as determined in accordance with the Arrangement. The person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond to each of Acclaim, AcquisitionCo and ExploreCo and their respective transfer agents, which bond is in form and substance satisfactory to each of Acclaim, AcquisitionCo and ExploreCo and their respective transfer agents, or shall otherwise indemnify Acclaim, AcquisitionCo and ExploreCo and their respective transfer agents against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

5.6 Only one global Note certificate representing the Notes shall be issued. Such certificate shall be issued to the Note Trustee in trust for the registered holders of the Notes, as determined under section 3.1. The Note Trustee shall then, on behalf of such holders, record the transfer of the Notes represented by such global Note certificate, without recourse, to Acclaim pursuant to the Arrangement and receive certificates representing Acclaim Trust Units for delivery to the persons entitled thereto, all in accordance with and as contemplated by this Plan of Arrangement.

5.7 All distributions made with respect to any Acclaim Trust Units allotted and issued pursuant to this Arrangement but for which a certificate has not been issued shall be paid or delivered to the Depositary to be held by the Depositary in trust for the registered holder thereof. All monies received by the Depositary shall be invested by it in interest-bearing trust accounts upon such terms as the Depositary may reasonably deem appropriate. The Depositary shall pay and deliver to any such registered holder, as soon as reasonably practicable after application therefor is made by the registered holder to the Depositary in such form as the Depositary may reasonably require, such distributions and any interest thereon to which such holder, is entitled, net of applicable withholding and other taxes.

5.8 Any certificate formerly representing Ketch Shares that is not deposited with all other documents as required by this Plan of Arrangement on or before the tenth 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 Ketch Shares to receive the certificates representing: (i) the ExploreCo Shares and (ii) Acclaim Trust Units.

5.9 No certificates representing fractional Acclaim Trust Units shall be issued upon the exchange of the Notes for Acclaim Trust Units or upon the cancellation of Ketch Options or the distribution as a return of capital of ExploreCo Shares. In lieu of any fractional Acclaim Trust Unit or ExploreCo Share, each registered Ketch Shareholder or Ketch Optionholder, as the case may be, otherwise entitled to a fractional interest in a Acclaim Trust Unit or ExploreCo Shares will receive the next lowest whole number of Acclaim Trust Units, as the case may be.

ARTICLE 6
AMENDMENTS

6.1 Acclaim, Ketch, ExploreCo and AcquisitionCo may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be: (i) set out in writing; (ii) approved by the other parties; (iii) filed with the Court and, if made following the Meeting, approved by the Court; and (iv) communicated to holders of Ketch Shares or Ketch Options, if and as required by the Court.

6.2 Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Acclaim, Ketch, ExploreCo or AcquisitionCo at any time prior to or at the Meeting (provided that the other parties 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 Meeting (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 that is approved by the Court following the Meeting shall be effective only if it is consented to by each of Acclaim, Ketch, ExploreCo and AcquisitionCo.

6.4 Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time unilaterally by Ketch, provided that it concerns a matter which, in the reasonable opinion of Ketch, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of Ketch, or any former holder of Ketch Shares or Ketch Options.

SCHEDULE A

TERMS OF NOTES

1. Issuance

Under the Arrangement, AcquisitionCo shall create and issue the Notes on the Effective Date.

2. Note Indenture

The Notes are to be issued under the Note Indenture.

3. Global Note Certificate and Transfer to Acclaim

Pursuant to the Plan of Arrangement, Notes will be issued to Acclaim and to former Shareholders. Notes issued to former holders of Ketch Shares are to be transferred by such holders to Acclaim in return for Acclaim Trust Units. Accordingly, the Note Indenture provides that initially only one global Note certificate will be issued which will represent all Notes issued under the Arrangement. The global Note certificate will be issued to the Note Trustee in trust for Acclaim and such Shareholders. The Note Trustee shall then on behalf of such Shareholders record the transfer of the Notes represented by such certificate to Acclaim pursuant to the Plan of Arrangement, without recourse to Acclaim, and receive certificates representing Acclaim Trust Units for delivery to such Shareholders, all as contemplated by the Plan of Arrangement. Upon receipt of the certificates representing Acclaim Trust Units, the Note Trustee shall provide a receipt and distribute such certificates to such Shareholders, in accordance with Article 5 of the Plan of Arrangement.

4. Unsecured/Interest

The Notes are unsecured and bear interest from the date of issue at •% per annum. Interest is payable for each month during the term, on the 10th day of the month following such month, or the next business day if such day is not a business day. The first interest payment is due on January 10, 2003 for the period commencing on the Effective Date and ending on December 31, 2002. The Notes will rank *pari passu* with all other unsecured indebtedness of AcquisitionCo, but subordinate to all secured debt.

5. Maturity Payment

December 1, 20•, subject to extension in the limited circumstances provided in Note Indenture.

6. Subordination

The Notes shall be subordinated as follows:

(a) no principal shall be repaid nor shall Notes be purchased or redeemed until the prior repayment in full of all "senior indebtedness", nor at any time when there is a default under any senior indebtedness. If there is no senior indebtedness default, principal may be repaid at maturity and, in the limited circumstances prescribed by the Note Indenture, amounts may be paid on account of principal by way of prepayment or redemption where the board of directors of AcquisitionCo believe AcquisitionCo is prevented by applicable law from paying dividends or making other distributions in respect of its Ketch Shares; and

(b) no interest shall be payable in respect of the Notes other than regularly scheduled interest at any time nor shall regularly scheduled interest be paid when any of the "senior indebtedness" is in default.

For these purposes, "senior indebtedness" means (a) all indebtedness, obligations and liabilities of AcquisitionCo in respect of borrowed money (including the deferred purchase price of property), other than (i) indebtedness evidenced by the Note Indenture and (ii) indebtedness which, by the terms of the instrument creating or evidencing the same, is expressed to rank in right of payment equally with or subordinate to the indebtedness evidenced by the Note Indenture, and (b) from and after the commencement of, and during the continuance of, any creditor proceedings (including bankruptcy, liquidation, winding-up, dissolution, restructuring or arrangement proceedings), all indebtedness, obligations and liabilities of AcquisitionCo, other than indebtedness, obligations and liabilities represented by the Notes and, for greater certainty, "senior indebtedness" shall include all indebtedness for borrowed money which is outstanding as at the Effective Date.

EXHIBIT 2

JOINT VENTURE AGREEMENT TERM SHEET

Joint Venture

1. JV Lands

- All undeveloped lands in Central Alberta and Northern Alberta that do not have reserves associated with it. Excluded properties are Boundary, Cecil, Hamlin, Progress/Valhalla, Ferrier, Kaybob and Orion.

2. Committed Capital

- ExploreCo to commit to $10 million in drilling capital in the first 12 months with mutual option to commit to an addition $10 million in drilling capital for a second 12 month term.

3. Earning

- ExploreCo to pay 100% to drill and complete to earn 70% in each section drilled.

- Acclaim elects to participate to pay its 30% share to equip and tie-in. If Acclaim elects not to participate, ExploreCo will pay the cost to equip and tie-in to earn an additional 10% working interest in the operation.

4. AMI

- 1 to 2 miles account existing Ketch lands.

- Participation: ExploreCo 70% and Acclaim 30%; failure to participate sets up exclusion.

- Term – 6 months after termination of joint venture.

Note: Seismic discussed and agreed to.

5. ROFR

- ROFR on joint lands after earning only.

6. Operations

- Acclaim to operate existing production.

- ExploreCo to operate new joint venture production through transition period at the option of ExploreCo to turn operatorship to Acclaim or retain operatorship.

7. Overhead Recoveries

- standard industry terms.

EXHIBIT 3

EXPLORATION ASSETS

Assets

All developed and undeveloped lands and associated reserves, production and facilities of Ketch and its subsidiaries and partnerships in the following areas:

Boundary Lake
Cecil/Hamelin
Progress/Valhalla
Ferrier/Ricinus
Kaybob
Orion

All seismic data of Ketch and its subsidiaries and partnerships for all of the above referenced areas.

All miscellaneous interest of Ketch and its subsidiaries and partnerships for all of the above referenced areas.

Liabilities

No long term debt.

No working capital surplus or deficiency.

No other liabilities except those directly related to the assets transferred.