

OXBOW EQUITIES CORP.

MATERIAL CHANGE REPORT

Section 67(1) of the *Securities Act* (British Columbia)

Section 118(1) of the *Securities Act* (Alberta)

Section 84(1) of *The Securities Act* (Saskatchewan)

Section 75(2) of the *Securities Act* (Ontario)

Section 73 of the *Securities Act* (Québec)

Section 76 of the *Securities Act* (Newfoundland)

1. Reporting Issuer

The name and address of the reporting issuer is Oxbow Equities Corp., 1002 Sherbrooke Street West, Suite 2060, Montreal, Québec, H3A 3L6

2. Date of Material Change

The material change occurred on December 22, 2000.

3. Press Release

A press release reporting the material change was issued on December 22, 2000 at Montréal, Québec. A copy of the press release is attached to this report.

4. Summary of Material Change

Oxbow Equities Corp. (“Oxbow” or the “Corporation”) announced that its Board of Directors has approved a series of measures that would redefine its relationship with Oxbow Equity Advisors Inc. (“OEAI”), the company responsible for the management of Oxbow, and provide additional capital to fund the Corporation’s needs for 2001.

In connection with the relationship of the Corporation with OEAI and its management team, the Board of Directors has approved the following measures:

- (a) termination of the existing administration agreement with OEAI dated August 8, 1997 (which has a maximum term, assuming exercise of all renewal options by OEAI, of 20 years and a maximum annual fee of \$2 million) and entering into a new 3-year administration agreement effective January 1st, 2001 for a maximum annual fee of \$1.5 million;
- (b) cancellation of 20 Performance Shares issued to OEAI;
- (c) payment to OEAI of a \$1 million termination fee for the existing administration agreement, payable in 1,666,667 common shares of Oxbow at \$0.60 per share;
- (d) payment of \$832,000 of arrears of administration fees owed to OEAI by the conversion of such amount into 1,386,667 common shares of Oxbow at \$0.60 per share; and
- (e) adoption of a stock option plan for Oxbow and granting of 2,862,075 options under the plan.

In order to fund the Corporation’s capital needs in 2001, the Board of Directors has approved the raising of up to \$8.5 million in additional capital and is requesting pre-approval by its shareholders for the issuance of up to 20,567,417 common shares.

To cover the Corporation's cash requirements while raising capital in the first quarter of 2001, the Corporation has received a commitment from two insiders, Breakwater Financial Corporation (a corporation controlled by André Denis, the CEO and a director of the Corporation) and William R. McMahan (the COO and a director of the Corporation) (together, the "Insiders"), to provide financing by way of a convertible bridge loan facility (the "Convertible Bridge Loan"). Other shareholders, investors or lenders will be invited to participate in the Convertible Bridge Loan facility and will provide additional amounts to a maximum of (including the amounts loaned by the Insiders) \$3 million.

5. Full Description of Material Change

Oxbow Equities Corp. ("Oxbow" or the "Corporation") announced that its Board of Directors has approved a series of measures that would redefine its relationship with Oxbow Equity Advisors Inc. ("OEAI"), the company responsible for the management of Oxbow, and provide additional capital to fund the Corporation's needs for 2001.

In connection with the relationship of the Corporation with OEAI and its management team, the Board of Directors has approved the following measures:

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The Convertible Bridge Loan will be secured by a general security agreement on all the assets of the Corporation, will mature in 12 months (18 months at the option of the Corporation), bear interest at a rate of 12% per annum and be convertible into common shares of the Corporation at \$0.60 per share. In addition, common share purchase

warrants will be issued for a number of warrants equal to 20% of the advances under the Convertible Bridge Loan divided by \$0.60. The warrants will expire three years from issuance and each will be exercisable to acquire one common share at an exercise price of \$0.60. Assuming the full \$3 million amount of the Convertible Bridge Loan, 1,000,000 warrants will be issued.

These measures require approval from regulatory authorities and disinterested shareholders of the Corporation. A special meeting of shareholders will be held on January 24, 2001 at the Sheraton Centre Hotel, 1201 René-Lévesque Blvd. West, in Montreal, Québec at 12:00 noon (Montreal time) (the "Meeting"). December 20, 2000 has been set as the record date for the meeting.

The shares of OEAI are owned as to 33% by Breakwater Financial Corporation (which is in turn owned by André Denis, the President and Chief Executive office of Oxbow) and as to 67% by Graf Trust (a family trust whose trustee is William R. McMahan, the Chief Operating office of Oxbow). Each of Breakwater Financial Corporation and William R. McMahan are also shareholders of Oxbow. Breakwater Financial Corporation's indirect subsidiary Corporation XBO Inc. owns 4,475,300 shares (21.8% of the currently outstanding Common Shares) and William R. McMahan, owns 1,288,067 shares (6.3% of the currently outstanding Common Shares). As a result of these interests, the proposed transaction is a "related party transaction".

In connection with the related party transaction outlined herein and the corresponding disclosure requirements under Ontario Securities Commission Rule 61-501 and Commission des valeurs mobilières du Québec Policy Q-27 (collectively, the "Policies") for related party transactions, Oxbow is required to disclose certain information in this material change report so as to rely on exemptions under the Policies from the requirements to have a formal valuation and minority shareholder approval.

The Board of Directors of the Corporation have determined in good faith that an exemption from the formal valuation requirement is available to the Corporation under the Policies. This valuation exemption applies in cases where the "fair market value" (as defined) of the subject matter of the transaction is not more than 25% of the "market capitalization" (as defined) of the issuer. The transaction involving Oxbow and OEAI falls within this exemption so no formal valuation is required. There is also a corresponding exemption under the Policies from the requirement for minority shareholder approval, so no minority Oxbow shareholder approval is required. However, the TSE required approval by "disinterested" shareholders, and therefore this approval will be sought at the Meeting.

While the Policies do not specifically require that the transaction be approved by an independent or special committee of directors, the conflict of interest provisions of the *Business Corporations Act* (Alberta) prevent Oxbow directors André Denis and William R. McMahan from voting in respect of the transaction. Therefore, in this context, the creation of an independent or special committee to review the transaction was considered appropriate as a matter of general corporate law. At an Oxbow directors' meeting held on October 13, 2000, the Board appointed directors Jean-Claude Gonneau and David F. Phillips as a special committee to review the proposed transaction. The special committee determined that the proposed transaction is fair and in the best interests of Oxbow and its shareholders.

A management proxy circular dated December 20, 2000, which more fully discusses the proposed transaction, has been mailed to shareholders for their consideration.

6. **Reliance on Confidential Disclosure Provisions**

Not applicable.

7. **Omitted Information**

Not applicable.

8. **Senior Officer**

André Denis, President and Chief Executive Officer
Oxbow Equities Corp.
Tel: (514) 286-0999, ext. 224

9. **Statement of Officer**

The foregoing accurately discloses the material change referred to herein.

DATED December 28, 2000 at Calgary, Alberta.

OXBOW EQUITIES CORP.

By: (signed) David F. Phillips
David F. Phillips,
Director



Not for Distribution in the United States

OXBOW Equities Announces Corporate Restructuring Actions and Additional Financing

December 22, 2000: OXBOW Equities Corp. (“Oxbow” or the “Corporation”, “XBO” on the Toronto Stock Exchange) today announced that its Board of Directors has approved a series of measures that would redefine its relationship with Oxbow Equity Advisors Inc. (“OEAI”), the company responsible for the management of Oxbow, and provide additional capital to fund the Corporation’s needs for 2001.

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The Convertible Bridge Loan will be secured by a general security agreement on all the assets of the Corporation, will mature in 12 months (18 months at the option of the Corporation), bear interest at a rate of 12% per annum and be convertible into common shares of the Corporation at \$0.60 per share. In addition, common share purchase warrants will be issued for a number of warrants equal to 20% of the advances under the Convertible Bridge Loan divided by \$0.60. The warrants will expire three years from issuance and each will be exercisable to acquire one common share at an exercise price of \$0.60. Assuming the full \$3 million amount of the Convertible Bridge Loan, 1,000,000 warrants will be issued.

These measures require approval from regulatory authorities and disinterested shareholders of the Corporation. A special meeting of shareholders will be held on January 24, 2001 at the Sheraton Centre Hotel, 1201 René-Lévesque Blvd. West, in Montreal, Québec at 12:00 noon (Montreal time). December 20, 2000 has been set as the record date for the meeting.

The Honourable Marc Lalonde, Chairman of the Board, commented “Since the arrival of our new management team in February 2000, significant actions were instituted resulting in the sale of non-core assets, the raising of \$9.4 million through the issuance of common shares and achieving control positions in the Corporation’s operating companies (Baseline Technologies, MonoGen and Mission Medical). The Board of the Directors formed a special committee of independent directors to review the relationship with OEAI and proposed measures aligning the interest of management with the Corporation’s shareholders further to our goal of building short and medium term shareholder value”.

OXBOW is a North American management company specializing in early stage investments and building companies in the high technology and healthcare sectors.

For More Information Please Contact:

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