

FORM 27

Securities Act (British Columbia)

MATERIAL CHANGE REPORT UNDER SECTION 67(1) OF THE ACT

ITEM 1 - Reporting Issuer:

PROMAX ENERGY INC.
Suite 1600, 800 - 6th Avenue S.W.
Calgary, Alberta
T2P 3G3

ITEM 2 - Date of Material Change

August 28, 2003

ITEM 3 - News Release

August 28, 2003. The press release was issued through Canada Newswire.

ITEM 4 - Summary of Material Change

Promax announced its financial results for the six months ended June 30, 2003. Promax also announced that it is restating its financial results for the first quarter of 2003, as described in the press release attached hereto as Schedule "A".

ITEM 5 - Full Description of Material Change:

As above and as set forth in Schedule "A"

ITEM 6 - Reliance on Section 67(2) of the Act:

Not applicable.

ITEM 7 - Omitted Information:

Not applicable.

ITEM 8 - Senior Officers:

Alexander T. Lemmens, President and CEO

Randy Clark, Executive Vice President, CFO, and
Secretary-Treasurer

Telephone: (403) 261-8880

Telefax: (403) 261-8818

ITEM 9 - Statement of Senior Officer:

The foregoing accurately discloses the material change referred to herein.

DATED at Calgary, Alberta this 28th day of August 2003.

PROMAX ENERGY INC.

Per: *"Alexander T. Lemmens"*

Alexander T. Lemmens
President and CEO

SCHEDULE "A"

PROMAX ENERGY ANNOUNCES RESTATEMENT OF THE FIRST QUARTER, 2003 AND FINANCIAL RESULTS FOR THE SECOND QUARTER, 2003.

August 28, 2003, Calgary, Alberta - Promax Energy Inc. (TSE:PMY) announces the restated financial and operating results of the first quarter, 2003 and its financial and operating results for the six months ended June 30, 2003.

RESTATEMENT FINANCIALS

In the first three months of 2003 the Company recorded certain facility equipment leases as operating leases. Adjustments have been made to treat these facility equipment leases as capital leases commencing at their inception in January 2003.

As a result of these adjustments, the Company has restated the 2003 first quarter. The following is a summary of restated numbers and the results:

At March 31, 2003, petroleum and natural gas assets increased by \$1,024,766 to \$119,849,625 based on the capital leases and an offsetting obligation under capital lease of \$856,117 was recorded plus the current portion of the lease amounting to \$191,562. The changes had no material impact on the statement of earnings, future income taxes and cash flow from operations in the first quarter.

The adjustments also affected the 2003 first quarter MD&A as follows:

Petroleum and natural gas assets increased by \$1,024,766 in the capital expenditures section by recording the leases as assets under capital lease. As result, depletion expense has increased from \$823,920 to \$828,598 in the depletion, depreciation and site restoration section. Additionally, in the interest expense section, capital lease interest increased from \$91,592 to \$109,826 for the related interest on the capital leases. The overall affect on these adjustments was a slight decrease in net earnings for the period from \$2,605,328 to \$2,582,416.

The complete restated financials for the first quarter of 2003 may be obtained from SEDAR, Promax Energy Inc. or viewed on our website at www.Promaxenergy.com

The following is a excerpt from the second quarter report for the six months ended June 30, 2003 and should be read in conjunction with the complete financial statements and Management's Discussion and Analysis available from Promax Energy Inc. or viewed on SEDAR or our website at www.promaxenergy.com

PROMAX ENERGY INC.**BALANCE SHEETS**

(Under Creditor Protection as of May 7, 2003)

as at

	June 30 2003 (unaudited) \$	December 2002 (audited) \$
Assets		
Current assets		
Cash and short-term deposits	967,222	8,719,907
Accounts receivable	3,477,808	2,493,552
Deposits and prepaid expenses	464,902	420,454
	4,909,932	11,633,913
Petroleum and natural gas assets	120,040,726	113,167,519
Deferred financing costs	6,099,619	8,611,160
	131,050,277	133,412,592
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	13,412,803	9,584,831
Current portion of obligation under capital lease	1,606,295	1,354,851
Bank indebtedness	72,508,550	84,508,600
	87,527,648	95,448,282
Obligation under capital lease	3,419,952	3,333,778
Long-term obligation	5,825,000	5,825,000
Future income taxes	4,940,141	5,343,267
Future site restoration and abandonment	459,146	335,162
	102,171,887	110,285,489
Shareholders' equity		
Share capital	25,668,165	25,668,165
Retained earnings (deficit)	3,210,225	(2,541,062)
	28,878,390	23,127,103
	131,050,277	133,412,592

Contingency and commitments

PROMAX ENERGY INC.
STATEMENTS OF EARNINGS AND RETAINED EARNINGS (DEFICIT)
(unaudited)
(Under Creditor Protection as of May 7, 2003)
for the periods ended June 30,

	2003 \$		2002 \$	
	Apr - Jun 3 months	Jan - Jun 6 months	Apr - Jun 3 months	Jan - Jun 6 months
Revenue				
Revenue	3,772,102	6,381,367	3,366,593	8,113,561
Royalties, net of ARTC	(836,325)	(1,746,897)	(322,225)	(471,009)
Other	5,751	29,567	15,010	25,528
	<u>2,941,528</u>	<u>4,664,037</u>	<u>3,059,378</u>	<u>7,668,080</u>
Expenses				
Operating	747,680	2,145,173	617,064	1,771,757
General and administrative	550,915	1,128,679	949,045	1,754,300
CCA restructuring costs	653,948	653,948	-	-
Interest on bank indebtedness and long-term debt	1,375,461	2,544,147	1,151,400	2,313,199
Foreign exchange gain	(6,095,048)	(11,963,270)	(3,354,129)	(3,271,626)
Amortization of deferred financing costs	1,897,032	2,654,490	675,345	1,350,386
Depletion and depreciation	1,111,086	2,033,469	963,749	1,153,411
	<u>241,074</u>	<u>(803,364)</u>	<u>1,002,474</u>	<u>5,071,427</u>
Earnings before income taxes	<u>2,700,454</u>	<u>5,467,401</u>	<u>2,056,904</u>	<u>2,596,653</u>
Income taxes				
Current – large corporation tax	63,566	119,240	49,766	101,810
Future (recovery)	(531,983)	(403,126)	65,305	(322,466)
	<u>(468,417)</u>	<u>(283,886)</u>	<u>115,071</u>	<u>(220,656)</u>
Net earnings	3,168,871	5,751,287	1,941,833	2,817,309
Retained earnings (deficit), beginning of period	41,354	(2,541,062)	(283,723)	853,160
Retained earnings, end of period	<u>3,210,225</u>	<u>3,210,225</u>	<u>1,658,110</u>	<u>1,658,110</u>
Net earnings per share				
Basic	0.06	0.10	0.04	0.06
Diluted	0.06	0.10	0.04	0.06

PROMAX ENERGY INC.
STATEMENTS OF CASH FLOWS
(unaudited)

(Under Creditor Protection as of May 7, 2003)
for the periods ended June 30,

	2003 \$		2002 \$	
	Apr – Jun 3 months	Jan - Jun 6 months	Apr - Jun 3 months	Jan - Jun 6 months
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:				
Operating				
Net earnings for the period	3,168,871	5,751,287	1,941,833	2,817,309
Adjustments for:				
Provision for taxes – future (recovery)	(531,983)	(403,126)	65,305	(322,466)
Depletion and depreciation	1,111,086	2,033,469	963,749	1,153,411
Amortization of deferred financing costs	1,897,032	2,654,490	675,345	1,350,386
Unrealized foreign exchange gain	(6,099,000)	(12,000,050)	(3,354,129)	(3,271,626)
Other	(278,208)	(278,208)	-	-
Cash (use) flow from operations	(732,202)	(2,242,138)	292,103	1,727,014
Change in non-cash working capital:				
Accounts receivable	(1,372,041)	(984,256)	124,228	451,635
Deposits and prepaid expenses	57,865	(44,448)	133,290	249,715
Accounts payable and accrued liabilities	3,095,615	3,827,972	(3,051,870)	(8,881,353)
	1,049,237	557,130	(2,502,249)	(6,452,989)
Financing				
Repayment of obligation under capital lease	(381,405)	(791,802)	(309,576)	(613,042)
Bank and long-term indebtedness	-	-	(11,871)	7,909,126
Issuance of common shares	-	-	1,412	(4,387)
Deferred financing costs	(142,949)	(142,949)	(7,593)	(7,593)
	(524,354)	(934,751)	(327,628)	7,284,104
Investing				
Acquisition of petroleum & natural gas assets	(1,065,956)	(7,475,516)	(223,642)	(609,207)
Disposition of petroleum & natural gas assets	100,452	100,452	-	-
	(965,504)	(7,375,064)	(223,642)	(609,207)
(Decrease) increase in cash	(440,621)	(7,752,685)	(3,053,519)	221,908
Cash, beginning of period	1,407,843	8,719,907	5,451,660	2,176,233
Cash, end of period	967,222	967,222	2,398,141	2,398,141
Supplemental information				
Interest received	5,475	30,493	32,944	43,295
Interest paid	463,677	1,604,433	1,170,136	2,255,754
Taxes paid	-	31,654	48,974	257,310

MESSAGE TO SHAREHOLDERS

CREDITOR PROTECTION

On May 7, 2003, the Company was granted an order by the Court of Queen's Bench of Alberta (the "Court") providing creditor protection under the *Companies' Creditors Arrangement Act* ("CCAA"). The initial order was amended by the Court on May 27, 2003 and further amended on June 27, 2003 and provides for a general stay period that expires on September 2, 2003 at which time the company will be seeking an extension of the stay until approximately October 30. The order may be further amended by the Court throughout the CCAA proceedings based on motions from the Company, its creditors and other interested parties.

OPERATIONS

Promax's efforts have been focused on primarily working with its financial advisor, BMO Nesbitt Burns Inc. ("BMO") to prepare a data room and presentation materials for the value maximization process, the completion of engineering evaluations of its properties, and preparing to make presentations and respond to information requests from potential purchasers. The Company has also concentrated on retaining as much of its mineral lease rights as possible, and making improvements and repairs to its wells and facilities with a view to obtaining the greatest improvements in production and revenue from the least amount of expenditures.

The Company's production averaged 1,369 BOEPD (using an energy conversion factor of 6:1) for the second quarter of 2003. The average production decreased by 3% over the same period in 2002. The 12% decline from Q1/03 is attributed to a limited capital program and the disruption of a non-operated pipeline that shut-in several of the Company's wells. Operational highlights from the second quarter include:

- Drilling three wells to the minimum depth required to hold over 2000 ha of mineral rights to evaluate both CBM and Med Hat/ Milk River potential.
- Engaging Gilbert Laustsen Jung Associates Ltd. ("GLJ"), an independent engineering firm, to provide an up-to-date reserve review of Promax's properties. Promax also engaged Citadel Engineering to update a reserve review it had prepared in late 2002 using the same capital expenditures and drilling plans as GLJ.
- Engaging consulting engineers to evaluate multi well pools in the Mannville and Belly River formations. They have outlined a program of workovers and drilling which could add some 24 BCF of reserves valued at over \$30 MM to the values already assigned by GLJ.
- Acquiring a 55% interest in a suspended Colony well including all surface and pipeline facilities and a 100% interest in a suspended Glauconite well in Cessford at no cost to the company.
- Completing an extensive cleanout program on its Med Hat/ Milk River wells that has added 267 BOE/d of production. The on-going program of well cleanouts has resulted in stabilizing the shallow production at 225 BOE/d above levels seen prior to operations under CCAA.
- Surplus surface rental production equipment has been returned resulting in reducing operating leases by \$26,000/ month.

FINANCIAL

The Company generated revenue from gas sales of C\$3,772,102 in the quarter, an operating cash loss of C\$732,202, and earnings of \$3,168,871 largely related to a foreign exchange gain associated with its US dollar denominated debt. To date costs of \$653,948 have been booked as expenses related to CCAA restructuring.

SUBSEQUENT EVENTS & OUTLOOK

Under the current circumstances, the Company's outlook will be determined by the outcome of its re-organization under CCAA. In the event that it becomes apparent that a financial restructuring cannot be accomplished, or that a plan of arrangement is not feasible in the Company's CCAA proceedings, the Company will likely be placed in receivership or bankruptcy.

Promax Energy Inc. is a junior oil and gas company listed and trading on the Toronto Stock Exchange under the symbol "PMY". It has a high working interest in over 285,000 acres in a gas prone area of southeastern Alberta with multiple producing horizons including long life Medicine Hat/Milk River and Coal Bed Methane.

For additional information please contact Mr. Alexander T. Lemmens, Chairman, President, & CEO or Mr. Randy Clark, Executive Vice President & CFO at (403) 261-8880, Fax (403) 261-8818 or on our website at www.promaxenergy.com