

SPECIAL WARRANT INDENTURE

**Providing for the Issue of
Special Warrants**

BETWEEN

KICKING HORSE RESOURCES LTD.

- and -

MONTREAL TRUST COMPANY OF CANADA

Dated as of December 31, 1999

THIS SPECIAL WARRANT INDENTURE is made as of the 31st day of December, 1999.

BETWEEN:

KICKING HORSE RESOURCES LTD., a corporation incorporated under the laws of the Province of Alberta, having an office in the City of Calgary, in the Province of Alberta

(hereinafter referred to as the “Corporation”)

OF THE FIRST PART

- and -

MONTREAL TRUST COMPANY OF CANADA, a company incorporated under the laws of Canada and authorized to carry on business in all provinces of Canada

(hereinafter referred to as the “Trustee”)

OF THE SECOND PART

WHEREAS:

- A.** the Corporation is proposing to issue flow-through special warrants (the “Special Warrants”) in the manner herein set forth;
- B.** one Special Warrant shall entitle the holder thereof to acquire one Common Share, subject to adjustment in certain events, at no additional cost, upon the terms and conditions herein set forth; and
- C.** all acts and deeds necessary have been done and performed to make the Special Warrants, when issued as provided for in this Indenture, legal, valid and binding upon the Corporation with the benefits and subject to the terms of this Indenture;

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Indenture, including the recitals and schedules hereto, and in all indentures supplemental hereto:

- (a) **“Applicable Legislation”** means the provisions of the *Business Corporations Act*, S.A. 1981, c. B-15, as from time to time amended, and any statute of Canada or a province thereof, and the regulations under any such named or other statute, relating to trust indentures or to the rights, duties and obligations of trustees and of corporations under trust indentures, to the extent that such provisions are at the time in force and applicable to this Indenture;
- (b) **“Business Day”** means a day which is not Saturday or Sunday or a legal holiday in the City of Calgary, Alberta;
- (c) **“Common Shares”** means fully paid and non-assessable common shares of the Corporation as presently constituted;
- (d) **“Corporation's Auditors”** means a firm of chartered accountants duly appointed as auditors of the Corporation;
- (e) **“Counsel”** means a barrister or solicitor or a firm of barristers and solicitors retained by the Trustee or retained by the Corporation and acceptable to the Trustee;
- (f) **“Current Market Price”** of the Common Shares at any date means the closing price for such shares for the Trading Day immediately prior to such date on The Canadian Venture Exchange (or if there is not a closing price on such date, the average of the bid and ask prices) or, if on such date the Common Shares are not listed on The Canadian Venture Exchange, on such stock exchange upon which such shares are listed and as selected by the directors;
- (g) **“director”** means a director of the Corporation for the time being and, unless otherwise specified herein, reference to action “by the directors” means action by the directors of the Corporation as a board or, whenever duly empowered, action by any committee of such board.
- (h) **“Dividend Funds”** means all cash dividends and other distributions deposited with the Trustee pursuant to subsection 6.2(i);

- (i) **“Effective Date”** means the date on which a Special Warrant is issued, anticipated to be on or before December 31, 1999;
- (j) **“Exercise Date”** means, with respect to any Special Warrant, the date on which the Warrant Certificate representing such Special Warrant is surrendered for exercise in accordance with Section 3.1 and includes the date upon which Special Warrants are deemed to be exercised pursuant to Section 3.6;
- (k) **“Expiry Date”** means the earlier of:
 - (i) five days after the date upon which a receipt for a Prospectus has been obtained from the last of the Securities Commissions to issue a receipt for such Prospectus; and
 - (ii) one year from the Effective Date;
- (l) **“Extraordinary Resolution”** has the meaning set forth in Section 8.11;
- (m) **“Permitted Investments”** means:
 - (i) obligations of, or guaranteed by, the Government of Canada or any province thereof; or
 - (ii) certificates of deposit, term deposit receipts or bearer deposits, notes, issued or accepted by, deposits placed within, or other obligations of or guaranteed by, any of the Canadian Chartered Banks listed in Schedule 1 of the *Bank Act* (Canada) or any registered trust company (including the Trustee);

provided that any such investment will only be made in securities having a maturity date of 90 days or less and provided that any such investment matures on or prior to the date that is one year from the Closing Date;
- (n) **“person”** means an individual, body corporate, partnership, trust, trustee, executor, administrator, legal representative or any unincorporated organization;
- (o) **“Preliminary Prospectus”** means a preliminary prospectus in respect of the distribution Common Shares upon the exercise of Special Warrants;
- (p) **“Property”** means all property and securities deposited with the Trustee pursuant to subsection 6.2(i);
- (q) **“Prospectus”** means a final prospectus in respect of the distribution of Common Shares upon the exercise of Special Warrants;

- (r) **“Qualifying Jurisdictions”** means the provinces of Alberta and Ontario;
- (s) **“Regulation S”** means Regulation S under the U.S. Securities Act;
- (t) **“Securities Commissions”** means, collectively, the securities commissions or similar regulatory authorities in the Qualifying Jurisdictions;
- (u) **“Shareholder”** means a holder of record of one or more Common Shares;
- (v) **“Special Warrants”** means the special warrants issued and certified hereunder and for the time being outstanding entitling the holder to acquire one Common Share, subject to adjustment in the circumstances set forth in Section 5.1;
- (w) **“this Special Warrant Indenture”, “this Indenture”, “herein”, “hereby”, “hereof”** and similar expressions mean and refer to this Indenture and any indenture, deed or instrument supplemental hereto; and the expressions **“Article”, “Section”, “subsection”** and **“paragraph”** followed by a number, letter or both mean and refer to the specified article, section, subsection or paragraph of this Indenture;
- (x) **“Subscription Funds”** means the aggregate amount of the funds paid by purchasers of the Special Warrants for such Special Warrants;
- (y) **“Subsidiary of the Corporation”** or **“Subsidiary”** means any corporation of which more than fifty percent of the outstanding Voting Shares are owned, directly or indirectly, by or for the Corporation, provided that the ownership of such shares confers the right to elect at least a majority of the board of directors of such corporation and includes any corporation in like relation to a Subsidiary;
- (z) **“Time of Expiry”** means 4:30 p.m. (Calgary time) on the Expiry Date;
- (aa) **“Trading Day”** means, with respect to a stock exchange, a day on which such exchange is open for the transaction of business;
- (bb) **“Trustee”** means Montreal Trust Company of Canada or its successors from time to time in the trust hereby created;
- (cc) **“U.S. Securities Act”** means the *United States Securities Act of 1933*, as amended;
- (dd) **“United States”** means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

- (ee) **“Voting Shares”** means shares of the capital stock of any class of any corporation carrying voting rights under all circumstances, provided that, for the purposes of such definition, shares which only carry the right to vote conditionally on the happening of an event shall not be considered Voting Shares, whether or not such event shall have occurred, nor shall any shares be deemed to cease to be Voting Shares solely by reason of a right to vote accruing to shares of another class or classes by reason of the happening of any such event;
- (ff) **“Warrant Agency”** means the principal office of the Trustee in the City of Calgary or such other place as may be designated in accordance with subsection 3.1(c);
- (gg) **“Warrant Certificate”** means a certificate issued on or after the Effective Date to evidence Special Warrants;
- (hh) **“Warrantholders”**, or **“holders”** without reference to Common Shares, means the persons who are registered owners of Special Warrants;
- (ii) **“Warrantholders' Request”** means an instrument signed in one or more counterparts by Warrantholders entitled to acquire in the aggregate not less than 25% of the aggregate number of Common Shares which could be acquired pursuant to all Special Warrants then unexercised and outstanding, requesting the Trustee to take some action or proceedings specified therein; and
- (jj) **“written order of the Corporation”**, **“written request of the Corporation”**, **“written consent of the Corporation”** and **“certificate of the Corporation”** mean, respectively, a written order, request, consent and certificate signed in the name of the Corporation by its Chairman, President or a Vice-President, and may consist of one or more instruments so executed.

1.2 Gender and Number

Unless herein otherwise expressly provided or unless the context otherwise requires, words importing the singular include the plural and *vice versa* and words importing gender include all genders.

1.3 Interpretation not Affected by Headings, etc.

The division of this Indenture into Articles and Sections, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Indenture.

1.4 Day not a Business Day

In the event that any day on or before which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken at or before the requisite time on the next succeeding day that is a Business Day.

1.5 Time of the Essence

Time shall be of the essence of this Indenture.

1.6 Currency

Except as otherwise stated, all dollar amounts herein are expressed in Canadian dollars.

1.7 Applicable Law

This Indenture and the Warrant Certificates shall be construed in accordance with the laws of the Province of Alberta and the federal laws applicable therein and shall be treated in all respects as Alberta contracts.

**ARTICLE 2
ISSUE OF SPECIAL WARRANTS**

2.1 Issue of Special Warrants

Two million five hundred thousand (2,500,000) Special Warrants are hereby created and authorized to be issued.

2.2 Terms of Special Warrants

- (a) Each Special Warrant shall entitle the holder thereof, upon exercise, to acquire one Common Share, subject to adjustment in accordance with Article 5 hereof, at any time after the Effective Date until the Time of Expiry at no additional cost to the holder.
- (b) No fractional Special Warrants shall be issued or otherwise provided for hereunder.

2.3 Warrantholder not a Shareholder

Except as provided for in subsection 6.2(i), nothing in this Indenture or in the holding of a Special Warrant or Warrant Certificate or otherwise, shall, in itself, confer or be construed as conferring upon a Warrantholder any right or interest whatsoever as a Shareholder of the Corporation, including, but not limited to, the right to vote at, to receive notice of, or to attend, meetings of

shareholders or any other proceedings of the Corporation, or the right to receive dividends and other distributions.

2.4 Special Warrants to Rank *Pari Passu*

All Special Warrants shall rank *pari passu*, whatever may be the actual date of issue thereof.

2.5 Form of Special Warrants

The Warrant Certificates (including all replacements issued in accordance with this Indenture) shall be substantially in the form set out in Schedule “A” hereto, shall be dated as of the Effective Date, shall bear such distinguishing letters and numbers as the Corporation may, with the approval of the Trustee, prescribe, and shall be issuable in any denomination excluding fractions.

2.6 Signing of Warrant Certificates

The Warrant Certificates shall be signed by any one of the directors and officers of the Corporation and need not be under the seal of the Corporation. The signatures of any such director or officer may be stamped or mechanically reproduced in facsimile by telecopy, photocopy or other similar mechanical means of reproduction and Warrant Certificates bearing such facsimile signatures shall be binding upon the Corporation as if they had been manually signed by such director or officer. Notwithstanding that any person whose manual or facsimile signature appears on any Warrant Certificate as a director or officer may no longer hold office at the date of such Warrant Certificate or at the date of certification or delivery thereof, any Warrant Certificate signed as aforesaid shall, subject to Section 2.7, be valid and binding upon the Corporation and the holder thereof shall be entitled to the benefits of this Indenture.

2.7 Certification by the Trustee

- (a) The Trustee shall certify Warrant Certificates upon the written direction of the Corporation. No Warrant Certificate shall be issued or, if issued, shall be valid for any purpose or entitle the holder to the benefit hereof until it has been certified by manual signature by or on behalf of the Trustee substantially in the form of the certificate set out in Schedule “A” hereto, and such certification by the Trustee upon any Warrant Certificate shall be conclusive evidence as against the Corporation that the Warrant Certificate so certified has been duly issued hereunder and that the holder is entitled to the benefits hereof.
- (b) The certification of the Trustee on Warrant Certificates issued hereunder shall not be construed as a representation or warranty by the Trustee as to the validity of this Indenture or the Warrant Certificates (except the due certification thereof) and the Trustee shall in no respect be liable or answerable for the use made of the Warrant Certificate or any of them or of the consideration therefor except as otherwise specified herein.

2.8 Issue in Substitution for Warrant Certificates Lost, etc.

- (a) If any Warrant Certificate becomes mutilated or is lost, destroyed or stolen, the Corporation, subject to applicable law, shall issue and thereupon the Trustee shall certify and deliver, a new Warrant Certificate of like tenor as the one mutilated, lost, destroyed or stolen in exchange for and in place of and upon cancellation of such mutilated Warrant Certificate, or in lieu of and in substitution for such lost, destroyed or stolen Warrant Certificate, and the substituted Warrant Certificate shall be in a form approved by the Trustee and the Special Warrants evidenced thereby shall be entitled to the benefits hereof and shall rank equally in accordance with their terms with all other Special Warrants issued or to be issued hereunder.
- (b) The applicant for the issue of a new Warrant Certificate pursuant to this Section 2.8 shall bear the cost of the issue thereof and in case of loss, destruction or theft shall, as a condition precedent to the issue thereof, furnish to the Corporation and to the Trustee such evidence of ownership and of the loss, destruction or theft of the Warrant Certificate so lost, destroyed or stolen as shall be satisfactory to the Corporation and to the Trustee, in their sole discretion, and such applicant may also be required to furnish an indemnity or security in an amount and a form satisfactory to the Corporation and the Trustee, in their sole discretion, and shall pay the reasonable charges of the Corporation and the Trustee in connection therewith.

2.9 Exchange of Warrant Certificates

- (a) Any one or more Warrant Certificates representing any number of Special Warrants may, upon compliance with the reasonable requirements of the Trustee, be exchanged for one or more other Warrant Certificates representing the same aggregate number of Special Warrants as represented by the Warrant Certificate or Warrant Certificates so exchanged.
- (b) Warrant Certificates may be exchanged only at the Warrant Agency or at any other place that is designated by the Corporation with the approval of the Trustee. Any Warrant Certificate tendered for exchange shall be cancelled and surrendered by the Warrant Agency to the Trustee.

2.10 Transfer of Special Warrants

- (a) The Special Warrants may only be transferred on the register kept at the Warrant Agency by the holder or its legal representatives or its attorney duly appointed by an instrument in writing in form and execution satisfactory to the Trustee only upon surrendering to the Trustee the Warrant Certificates representing the Special Warrants to be transferred and upon compliance with:
 - (i) the conditions herein;

- (ii) such reasonable requirements as the Trustee may prescribe; and
- (iii) all applicable securities legislation and requirements of regulatory authorities;

and such transfer shall be duly noted in such register by the Trustee. Upon compliance with such requirements, the Trustee shall issue to the transferee a Warrant Certificate representing the Special Warrants transferred.

- (b) The Trustee acknowledges that the Special Warrants and the Common Shares have not been and will not be registered under the U.S. Securities Act, and that the Special Warrants may not be issued or delivered to a person in the United States, except pursuant to an exemption from registration under the U.S. Securities Act. Unless otherwise specified by the Corporation, each certificate representing Special Warrants originally issued to a person in the United States, and all certificates issued in exchange therefor or in substitution thereof, shall bear such legend as the Corporation shall from time to time specify to the Trustee in writing.
- (c) If a Warrant Certificate tendered for transfer bears a legend as contemplated in subsection 2.10(b):
 - (i) the transfer may be made to a person in the United States, provided that the transfer is made in accordance with the terms of such legend and provided further that the Warrant Certificate issued to such transferee shall also bear such legend as the Corporation shall specify from time to time in writing; or
 - (ii) if the Special Warrants are being sold outside the United States under Rule 904 of Regulation S, the legend may be removed by providing a declaration to the Trustee, to the following effect (or as the Corporation may prescribe from time to time):

“The undersigned (a) acknowledges that the sale of the securities of Kicking Horse Resources Ltd. (the “Corporation”) to which this declaration relates is being made in reliance on Rule 904 of Regulation S under the *United States Securities Act of 1933*, as amended (the “U.S. Securities Act”); and (b) certifies that (1) the undersigned is not an affiliate of the Corporation as that term is defined in the U.S. Securities Act, (2) the offer of such securities was not made to a person in the United States and either (A) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believes that the buyer was outside the United States or (B) the transaction

was executed on or through the facilities of The Canadian Venture Exchange and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States, and (3) neither the seller nor any affiliate of the seller nor any person acting on any of their behalf has engaged or will engage in any directed selling efforts in the United States in connection with the offer and sale of such securities. The terms used herein have the meanings given to them by Regulation S.”

- (d) Upon any transfer of Special Warrants in accordance with the provisions of this Indenture, the Corporation covenants and agrees with the Trustee, on behalf of the transferee holder, and with the transferee holder, that the transferee holder is a permitted assignee of the transferring holder.
- (e) The Corporation shall not cause to be accepted or registered any transfer of a Special Warrant if it has reasonable grounds to believe that such transfer is not made in accordance with applicable law.

2.11 Charges for Exchange or Transfer

Except as otherwise herein provided, no charges shall be levied in respect of the transfer or the exchange of any Warrant Certificate or the issue of a new Warrant Certificate(s) pursuant hereto provided that the reimbursement of the Trustee or the Corporation for any and all transfer, stamp or similar taxes or other governmental charges required to be paid shall be made by the holder requesting such transfer or exchange as a condition precedent to such transfer or exchange.

2.12 Cancellation of Surrendered Special Warrants

All Warrant Certificates surrendered pursuant to Sections 2.8, 2.9, 2.10, 3.1, 3.3, 3.6 or 6.1 shall be returned to the Trustee for cancellation and, after the expiry of any period of retention prescribed by law, destroyed by the Trustee. Upon request by the Corporation, the Trustee shall furnish to the Corporation a destruction certificate identifying the Warrant Certificates so destroyed, the number of Special Warrants evidenced thereby, the number of Common Shares, if any, issued pursuant to such Special Warrants and the details of any Warrant Certificates issued in substitution or exchange for such Warrant Certificates destroyed.

ARTICLE 3 EXERCISE OF SPECIAL WARRANTS

3.1 Method of Exercise of Special Warrants

- (a) The holder of any Special Warrant may exercise the right conferred on such holder to acquire Common Shares by surrendering, after the Effective Date and prior to the Time of Expiry, to the Warrant Agency the Warrant Certificate with a duly completed and executed exercise form.

A Warrant Certificate with the duly completed and executed exercise form referred to in this subsection 3.1(a) shall be deemed to be surrendered only upon personal delivery thereof or, if sent by mail or other means of transmission, upon actual receipt thereof at, in each case, the Warrant Agency.

- (b) Any exercise form referred to in subsection 3.1(a) shall be signed by the Warrantholder and shall specify:
- (i) the number of Common Shares which the holder wishes to acquire (being not more than those which the holder is entitled to acquire pursuant to the Warrant Certificate(s) surrendered);
 - (ii) the person or persons in whose name or names such Common Shares are to be issued along with their respective Social Insurance Numbers, if applicable;
 - (iii) the address or addresses of such persons; and
 - (iv) the number of Common Shares to be issued to each such person if more than one person is so specified.

If any of the Common Shares subscribed for are to be issued to a person or persons other than the Warrantholder, the Warrantholder shall pay to the Corporation or the Warrant Agency on behalf of the Corporation, all applicable transfer or similar taxes and the Corporation shall not be required to issue or deliver certificates evidencing Common Shares unless or until such Warrantholder shall have paid to the Corporation, or the Warrant Agency on behalf of the Corporation, the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid or that no tax is due.

- (c) In connection with the exchange of Warrant Certificates and exercise of Special Warrants and compliance with such other terms and conditions hereof as may be required, the Corporation has appointed the principal office of the Trustee in Calgary as the agency at which Warrant Certificates may be surrendered for exchange or transfer or at which Special Warrants may be exercised. The Corporation may from time to time designate alternate or

additional places as the Warrant Agency and shall give notice to the Trustee of any change of the Warrant Agency.

3.2 Effect of Exercise of Special Warrants

- (a) Upon the exercise of Special Warrants pursuant to Section 3.1 or upon a deemed exercise pursuant to Section 3.6, and subject to Section 3.3, the Common Shares subscribed for or, in the case of a deemed exercise pursuant to Section 3.6, all of the Common Shares issuable pursuant to the Special Warrants deemed to be exercised, shall be deemed to have been issued and the person or persons to whom such Common Shares are to be issued shall be deemed to have become the holder or holders of record of such Common Shares on the Exercise Date, unless the transfer registers of the Corporation shall be closed on such date, in which case the Common Shares subscribed for shall be deemed to have been issued and such person or persons deemed to have become the holder or holders of record of such Common Shares, on the date on which such transfer registers are reopened.
- (b) Subject to Section 3.6, within five Business Days after the Exercise Date with respect to a Special Warrant, the Corporation shall cause to be mailed to the person or persons in whose name or names the Common Shares so subscribed for have been issued, as specified in the exercise form, at the address specified in such exercise form or, if so specified in such exercise form, cause to be delivered to such person or persons at the Warrant Agency where the Warrant Certificate was surrendered, a share certificate or certificates for the appropriate number of Common Shares acquired.

3.3 Partial Exercise of Special Warrants; Fractions

- (a) The holder of any Special Warrants may acquire a number of Common Shares less than the number which the holder is entitled to acquire pursuant to the surrendered Warrant Certificate(s). In the event of any exercise of a number of Special Warrants less than the number which the holder is entitled to exercise, the holder of the Special Warrants upon such exercise shall, in addition, be entitled to receive, without charge therefor, a new Warrant Certificate(s) in respect of the balance of the Special Warrants represented by the surrendered Warrant Certificate(s) and which were not then exercised.
- (b) Notwithstanding anything herein contained including any adjustment provided for in Article 4 or 5, the Corporation shall not be required, upon the exercise of any Special Warrants, to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. In lieu of fractional Common Shares, the Corporation shall pay to the holder who would otherwise be entitled to receive fractional Common Shares upon an exercise of Special Warrants, within ten Business Days after the date upon which the fractional Common Shares would otherwise have been deemed to have been issued pursuant to Section 3.2, an amount in lawful money of Canada equal to the

Current Market Price of the Common Shares on such date multiplied by an amount equal to the fractional interest of Common Shares such holder would otherwise be entitled to receive upon such exercise, provided that the Corporation shall not be required to make any payment, calculated as aforesaid, that is less than \$5.00.

3.4 Expiration of Special Warrants

Subject to Section 3.6, immediately after the Time of Expiry, all Warrant Certificates shall no longer evidence any right to acquire Common Shares and such Warrant Certificates shall thereafter be void and of no further force or effect.

3.5 Accounting and Recording

- (a) The Trustee shall promptly account to the Corporation with respect to Special Warrants exercised. Any securities or other instruments, from time to time received by the Trustee shall be received in trust for, and shall be segregated and kept apart by the Trustee in trust in accordance with the provisions hereof.
- (b) The Trustee shall record the particulars of Special Warrants exercised which particulars shall include the names and addresses of the persons who become holders of Common Shares on exercise and the Exercise Date, if any, in respect thereof. The Trustee shall provide such particulars in writing to the Corporation within five Business Days of any request by the Corporation therefor.

3.6 Deemed Exercise

At the Time of Expiry, the rights of all holders of Special Warrants shall be deemed to have been exercised by the holder thereof without any further action on the part of the holder and such holder hereby directs and authorizes the Trustee to do all things and take all such action for and on behalf of such holder to exercise such Special Warrants and the Common Shares issuable thereby shall be deemed to be issued to the Warrantholders at such time.

The Corporation shall cause to be mailed to each Warrantholder whose Special Warrants were deemed to be exercised at the address of the holder set forth in the register maintained by the Trustee and referred to in Section 2.10, a certificate or certificates for the appropriate number of Common Shares as soon as practicable after the deemed exercise of Special Warrants.

3.7 Securities Restrictions

- (a) Notwithstanding anything herein contained, Common Shares will only be issued upon exercise of any Special Warrant in compliance with the securities laws of any applicable jurisdiction, and without limiting the generality of the foregoing, in the event that the Special Warrants are exercised pursuant to Section 3.1 prior to the issuance of a receipt for the Prospectus by the Securities Commissions in each of the Qualifying Jurisdictions, the certificates

representing the Common Shares thereby issued will bear such legend as may, in the opinion of counsel to the Corporation, be necessary in order to avoid a violation of any securities laws of any province in Canada, or any other jurisdiction, or to comply with the requirements of any stock exchange on which the Common Shares are listed, provided that if, at any time, in the opinion of counsel to the Corporation, such legends are no longer necessary in order to avoid a violation of any such laws, or the holder of any such legended certificate, at the holder's expense, provides the Corporation with evidence satisfactory in form and substance to the Corporation (which may include an opinion of counsel satisfactory to the Corporation) to the effect that such holder is entitled to sell or otherwise transfer such Common Shares in a transaction in which such legends are not required, such legended certificate may thereafter be surrendered to the Corporation in exchange for a certificate which does not bear such legend.

- (b) Warrant Certificates bearing a legend as contemplated in subsection 2.10(b) may only be exercised pursuant to this Article 3 provided that the certificates representing Common Shares delivered upon such exercise shall also bear the same legend, with appropriate modifications, as appeared on the Warrant Certificate and shall bear any additional legend as the Corporation may from time to time specify to the Trustee in writing as required to comply with applicable securities laws or to comply with the requirements of any stock exchange on which the Common Shares are listed, provided that such legend shall be removed on the same basis as provided in subsection 3.7(a) hereof.

ARTICLE 4 ADDITIONAL RIGHTS

4.1 Subscription Funds, Dividend Funds and Property

On the issuance of any Special Warrants, all of the Subscription Funds and interest earned thereon shall be released to the Corporation.

4.2 [This section intentionally deleted]

4.3 Conditions to Release of Dividend Funds and Property

- (a) If any Warrantholder, at any time prior to the Time of Expiry, exercises its right to acquire Common Shares pursuant to Special Warrant(s) held by it, the Trustee shall within five Business Days of each such exercise:
 - (i) pay to such Warrantholder from Dividend Funds and interest earned by the Trustee thereon an amount equal to the product obtained by multiplying the amount of Dividend Funds held by the Trustee on the date of such exercise and interest earned by the Trustee thereon to the

date immediately preceding the date of payment (less any Dividend Funds and interest thereon paid out by the Trustee pursuant to this Agreement prior to the date of payment) by a fraction of which the numerator is the number of Special Warrants exercised by such Warrantholder and the denominator is the total number of Special Warrants outstanding on the date of payment (such number to be the number of Special Warrants outstanding immediately prior to the deemed exercise pursuant to Section 3.6 if such date of payment is the Expiry Date); and

(ii) deliver to such Warrantholder its pro rata share of the Property determined on the same basis as the calculation set forth in (i) above.

(b) The Trustee shall within five Business Days after the Time of Expiry:

(i) pay to each Warrantholder, in respect of Special Warrants held by it deemed to be exercised, from Dividend Funds and interest earned by the Trustee thereon an amount equal to the product obtained by multiplying the amount of Dividend Funds and interest earned by the Trustee thereon to the date immediately preceding the date of payment (less any Dividend Funds and interest thereon paid out by the Trustee pursuant to this Indenture prior to the date of payment) by a fraction of which the numerator is the number of Special Warrants deemed to be exercised held by the Warrantholder and the denominator is the total number of Special Warrants deemed to be exercised; and

(ii) deliver to such Warrantholder its pro rata share of the Property determined on the same basis as the calculation set forth in (i) above.

4.4 Administration of Dividend Funds and Property

All Dividend Funds and Property shall be held at or administered through the principal office of the Trustee at Calgary, Alberta. The Trustee shall not be entitled to deal with the Dividend Funds and Property except in accordance with the terms of this Indenture. The Trustee is hereby specifically authorized, and granted such powers as are necessary, to deal with the Property as it shall determine in its sole discretion to be in the best interests of the Warrantholders. In the event that the Trustee determines the necessity for the approval by the Warrantholders of any matter, an Extraordinary Resolution of the Warrantholders shall provide sufficient authority upon which the Trustee may act and the Trustee shall not be responsible for any loss occasioned by so doing.

ARTICLE 5
ADJUSTMENT OF NUMBER OF COMMON SHARES

5.1 Adjustment of Number of Common Shares

The acquisition rights in effect at any date attaching to the Special Warrants shall be subject to adjustment from time to time as follows:

- (a) if and whenever at any time from the date hereof and prior to the Time of Expiry, the Corporation shall:
 - (i) subdivide, redivide or change its outstanding Common Shares into a greater number of shares; or
 - (ii) reduce, combine or consolidate its outstanding Common Shares into a smaller number of shares;

the number of Common Shares obtainable under each Special Warrant shall be adjusted immediately after the effective date of such subdivision, redivision, change, reduction, combination or consolidation, by multiplying the number of Common Shares theretofore obtainable on the exercise thereof by a fraction of which the numerator shall be the total number of Common Shares outstanding immediately after such date and the denominator shall be the total number of Common Shares outstanding immediately prior to such date. Such adjustment shall be made successively whenever any event referred to in this subsection shall occur;

- (b) if and whenever at any time from the date hereof and prior to the Time of Expiry, there is a reclassification of the Common Shares or a capital reorganization of the Corporation other than as described in subsection 5.1(a) or a consolidation, amalgamation or merger of the Corporation with or into any other body corporate, trust, partnership or other entity, or a sale or conveyance of the property and assets of the Corporation as an entirety or substantially as an entirety to any other body corporate, trust, partnership or other entity, any Warrantholder, who has not exercised its right of acquisition prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, merger, sale or conveyance, upon the exercise of such right thereafter, shall be entitled to receive and shall accept, in lieu of the number of Common Shares such Warrantholder would otherwise be entitled to acquire, the number of shares or other securities or property of the Corporation or of the body corporate, trust, partnership or other entity resulting from such merger, amalgamation or consolidation, or to which such sale or conveyance may be made, as the case may be, that such Warrantholder would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, merger, sale or conveyance, if, on the record date or the effective date thereof, as the case may be, the Warrantholder had been the registered holder of the number of Common

Shares sought to be acquired by it. If determined appropriate by the Trustee to give effect to or to evidence the provisions of this subsection 5.1(b), the Corporation, its successor, or such purchasing body corporate, partnership, trust or other entity, as the case may be, shall, prior to or contemporaneously with any such reclassification, capital reorganization, consolidation, amalgamation, merger, sale or conveyance, enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Indenture with respect to the rights and interests thereafter of the Warrantholders to the end that the provisions set forth in this Indenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any shares, other securities or property to which a Warrantholder is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Trustee pursuant to the provisions of this subsection 5.1(b) shall be a supplemental indenture entered into pursuant to the provisions of Article 9 hereof. Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing body corporate, partnership, trust or other entity and the Trustee shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 5.1 and which shall apply to successive reclassifications, reorganizations, amalgamations, consolidations, mergers, sales or conveyances; and

- (c) the adjustments provided for in this Article 5 in the number of Common Shares and classes of securities which are to be received on the exercise of Special Warrants are cumulative. After any adjustment pursuant to this Section, the term “Common Shares” where used in this Indenture shall be interpreted to mean securities of any class or classes which, as a result of such adjustment and all prior adjustments pursuant to this Section, the Warrantholder is entitled to receive upon the exercise of its Special Warrant, and the number of Common Shares indicated by any exercise made pursuant to a Special Warrant shall be interpreted to mean the number of Common Shares or other property or securities a Warrantholder is entitled to receive, as a result of such adjustment and all prior adjustments pursuant to this Section, upon the full exercise of a Special Warrant.

5.2 Entitlement to Shares on Exercise of Special Warrant

All shares of any class or other securities which a Warrantholder is at the time in question entitled to receive on the exercise of its Special Warrants, whether or not as a result of adjustments made pursuant to this Article 5, shall, for the purposes of the interpretation of this Indenture, be deemed to be shares which such Warrantholder is entitled to acquire pursuant to such Special Warrants.

5.3 No Adjustment for Stock Options

Notwithstanding anything in this Article 5, no adjustment shall be made in the acquisition rights attached to the Special Warrants if the issue of Common Shares is being made

pursuant to this Indenture or pursuant to any stock option or stock purchase plan in force from time to time for directors, officers or employees of the Corporation.

5.4 Determination by Corporation's Auditors

In the event of any question arising with respect to the adjustments provided for in this Article 5 such question shall be conclusively determined by the Corporation's Auditors who shall have access to all necessary records of the Corporation, and such determination shall be binding upon the Corporation, the Trustee, all Warrantholders and all other persons interested therein.

5.5 Proceedings Prior to any Action Requiring Adjustment

As a condition precedent to the taking of any action which would require an adjustment in any of the acquisition rights pursuant to any of the Special Warrants, including the number of Common Shares which are to be received upon the exercise thereof, the Corporation shall take any corporate action which may, in the opinion of counsel, be necessary in order that the Corporation has unissued and reserved in its authorized capital and may validly and legally issue as fully paid and non-assessable all the shares which the holders of such Special Warrants are entitled to receive on the full exercise thereof in accordance with the provisions hereof.

5.6 Certificate of Adjustment

The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Article 5, deliver a certificate of the Corporation to the Trustee specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

5.7 Notice of Special Matters

The Corporation covenants with the Trustee that, so long as any Special Warrant remains outstanding, it will send notice to the Trustee and to the Warrantholders of its intention to fix a record date that is prior to the Expiry Date for the issuance of rights, options or warrants (other than the Special Warrants) to all or substantially all the holders of its outstanding Common Shares. Such notice shall specify the particulars of such event and the record date for such event, provided that the Corporation shall only be required to specify in the notice such particulars of the event as shall have been fixed and determined on the date on which the notice is given. The notice shall be sent in each case not less than 14 days prior to such applicable record date.

5.8 No Action after Notice

The Corporation covenants with the Trustee that it will not close its transfer books or take any other corporate action which might deprive the holder of a Special Warrant of the opportunity to exercise its right of acquisition pursuant thereto during the period of 14 days after the giving of the certificate or notices set forth in Section 5.7.

5.9 Protection of Trustee

Except as provided in Section 10.2, the Trustee:

- (a) shall not at any time be under any duty or responsibility to any Warrantholder to determine whether any facts exist which may require any adjustment contemplated by Section 5.1, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making the same;
- (b) shall not be accountable with respect to the validity or value (or the kind or amount) of any Common Shares or other securities or property which may at any time be issued or delivered upon the exercise of the rights attaching to any Special Warrant;
- (c) shall not be responsible for any failure of the Corporation to issue, transfer or deliver Common Shares or certificates for the same upon the surrender of any Special Warrants for the purpose of the exercise of such rights or to comply with any of the covenants contained in this Article; and
- (d) shall not incur any liability or responsibility whatsoever or be in any way responsible for the consequences of any breach on the part of the Corporation of any of the representations, warranties or covenants herein contained or of any acts of the directors, officers, employees, agents or servants of the Corporation.

ARTICLE 6 RIGHTS OF THE CORPORATION AND COVENANTS

6.1 Optional Purchases by the Corporation

The Corporation may from time to time purchase by private contract or otherwise any of the Special Warrants. Any such purchase shall be made at the lowest price or prices at which, in the opinion of the directors, such Special Warrants are then obtainable, plus reasonable costs of purchase, and may be made in such manner, from such persons and on such other terms as the Corporation, in its sole discretion, may determine. Any Warrant Certificates representing the Special Warrants purchased pursuant to this Section 6.1 shall forthwith be delivered to and cancelled by the Trustee. No Special Warrants shall be issued in replacement thereof.

6.2 General Covenants of the Corporation

The Corporation covenants with the Trustee that so long as any Special Warrants remain outstanding:

- (a) it will reserve and keep available a sufficient number of Common Shares for the purpose of enabling it to satisfy its obligations to issue Common Shares

upon the exercise of the Special Warrants in the event that the Corporation does not have an unlimited number of Common Shares authorized;

- (b) it will cause the Common Shares and the certificates representing the Common Shares from time to time acquired pursuant to the exercise of the Special Warrants to be duly issued and delivered in accordance with the Warrant Certificates and the terms hereof;
- (c) all Common Shares which shall be issued upon exercise of the right to acquire provided for herein and in the Warrant Certificates shall be fully paid and non-assessable;
- (d) it will maintain its corporate existence;
- (e) it will use its reasonable best efforts to ensure that all Common Shares outstanding or issuable from time to time (including without limitation the Common Shares issuable on the exercise of the Special Warrants) continue to be or are listed and posted for trading on The Canadian Venture Exchange;
- (f) it will use its reasonable best efforts to maintain its status as a reporting issuer in the Qualifying Jurisdictions, and it will make all requisite filings under applicable Canadian securities legislation and stock exchange rules to report the exercise of the right to acquire Common Shares pursuant to Special Warrants;
- (g) it will use its reasonable best efforts to obtain a receipt, as soon as practicable and in any event by June 30, 2000, from each of the Securities Commissions for the Prospectus so that the resale of such Common Shares will not generally be subject to the prospectus requirements nor any "hold period" under applicable securities legislation in such Qualifying Jurisdictions and in the event that a receipt for the Prospectus is not issued by the Securities Commissions in each of the Qualifying Jurisdictions on or before June 30, 2000, it will nevertheless continue until the Time of Expiry to use its reasonable best efforts to obtain a receipt for the Prospectus from each of the Securities Commissions in the Qualifying Jurisdictions;
- (h) it will send a written notice by delivery or telecopy to the Trustee and by prepaid registered mail to each holder of Special Warrants of the issuance of the receipts referred to in subsection 6.2(g), and the date upon which the Special Warrants expire, together with a commercial copy of the Prospectus (and, in the case of the Trustee, copies of such receipts), as soon as practicable but, in any event, not later than two Business Days after the latest date on which a receipt is issued by a Securities Commission and received by the Corporation;
- (i) if the Corporation pays a dividend or makes any other distribution in cash or property or securities of the Corporation (including rights, options or warrants

to acquire Common Shares or securities convertible into or exchangeable for Common Shares and including evidence of its indebtedness) to all or substantially all of the holders of Common Shares on or after the Effective Date and prior to the Expiry Date, the Corporation agrees that it will pay the same amount of such dividend or make the same distribution of cash, property or securities as a deposit to the Trustee, as if the Warrantholders were the holders of the number of Common Shares which the Warrantholders are entitled to receive upon the exercise of the Special Warrants and such payments or other distributions shall be held and dealt with by the Trustee in accordance with Article 4;

- (j) it will send a written notice to the Trustee and each Warrantholder specifying the particulars of each payment or distribution made in accordance with subsection 6.2(i), within two Business Days of such payment or distribution; and
- (k) generally, it will well and truly perform and carry out all of the acts or things to be done by it as provided in this Indenture.

6.3 Trustee's Remuneration and Expenses

The Corporation covenants that it will pay to the Trustee from time to time reasonable remuneration for its services hereunder and will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in the administration or execution of the trusts hereby created (including the reasonable compensation and the disbursements of its Counsel and all other advisers and assistants not regularly in its employ) both before any default hereunder and thereafter until all duties of the Trustee hereunder shall be finally and fully performed, except any such expense, disbursement or advance as may arise out of or result from the Trustee's negligence, wilful misconduct or bad faith.

6.4 Securities Qualification Requirements

- (a) If, in the opinion of Counsel, any instrument (not including a prospectus, except as required by subsection 6.2(g)) is required to be filed with, or any permission is required to be obtained from any governmental authority in Canada or any other step is required under any federal or provincial law of Canada before any Common Share which a Warrantholder is entitled to acquire pursuant to the exercise of any Special Warrant may properly and legally be issued upon due exercise thereof and thereafter traded, without further formality or restriction, the Corporation covenants that it will take such required action.
- (b) The Corporation or, if required by the Corporation, the Trustee will give notice of the issue of Common Shares pursuant to the exercise of Special Warrants, in such detail as may be required, to each securities commission or similar regulatory authority in each jurisdiction in Canada in which there is legislation or regulation permitting or requiring the giving of any such notice

in order that such issue of Common Shares and the subsequent disposition of the Common Shares so issued will not be subject to the prospectus qualification requirements of such legislation or regulation.

6.5 Performance of Covenants by Trustee

If the Corporation shall fail to perform any of its covenants contained in this Warrant Indenture, the Trustee may notify the Warranholders of such failure on the part of the Corporation or may itself perform any of the covenants capable of being performed by it but, subject to Section 10.2. shall be under no obligation to perform said covenants or to notify the Warranholders of such performance by it. All sums expended or advanced by the Trustee in so doing shall be repayable as provided in Section 6.3. No such performance, expenditure or advance by the Trustee shall relieve the Corporation of any default hereunder or of its continuing obligations under the covenants herein contained.

ARTICLE 7 ENFORCEMENT

7.1 Suits by Warranholders

All or any of the rights conferred upon any Warranholder by any of the terms of the Warrant Certificates or of the Indenture, or of both, may be enforced by the Warranholder by appropriate proceedings but without prejudice to the right which is hereby conferred upon the Trustee to proceed in its own name to enforce each and all of the provisions herein contained for the benefit of the Warranholders.

7.2 Immunity of Shareholders, etc.

The Trustee and, by the acceptance of the Warrant Certificates and as part of the consideration for the issue of the Special Warrants, the Warranholders hereby waive and release any right, cause of action or remedy now or hereafter existing in any jurisdiction against any incorporator or any past, present or future shareholder, director, officer, employee or agent of the Corporation or any successor corporation (as defined in Section 9.2) on any covenant, agreement, representation or warranty by the Corporation herein or in the Warrant Certificates contained.

7.3 Limitation of Liability

The obligations hereunder are not personally binding upon, nor shall resort hereunder be had to, the private property of any of the past, present or future directors or shareholders of the Corporation or any successor corporation or any of the past, present or future officers, employees or agents of the Corporation or any successor corporation, but only the property of the Corporation or any successor corporation shall be bound in respect hereof.

7.4 Waiver of Default

Upon the happening of any default hereunder:

- (a) the holders of not less than 51% of the Special Warrants then outstanding shall have power (in addition to the powers exercisable by Extraordinary Resolution) by requisition in writing to instruct the Trustee to waive any default hereunder and the Trustee shall thereupon waive the default upon such terms and conditions as shall be prescribed in such requisition; or
- (b) the Trustee shall have power to waive any default hereunder upon such terms and conditions as the Trustee may deem advisable, if, in the Trustee's opinion, the same shall have been cured or adequate provision made therefor;

provided that no delay or omission of the Trustee or of the Warrantholders to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein and provided further that no act or omission either of the Trustee or the Warrantholders in the premises shall extend to or be taken in any manner whatsoever to affect any subsequent default hereunder of the rights resulting therefrom.

ARTICLE 8 MEETINGS OF WARRANTHOLDERS

8.1 Right to Convene Meetings

The Trustee may at any time and from time to time, and shall on receipt of a written request of the Corporation, or of a Warrantholders' Request and upon being indemnified and funded to its reasonable satisfaction by the Corporation or by the Warrantholders signing such Warrantholders' Request against the cost which may be incurred in connection with the calling and holding of such meeting, call and hold a meeting of the Warrantholders. In the event of the Trustee failing to so call and hold a meeting within seven days after receipt of such written request of the Corporation or such Warrantholders' Request and indemnity and funding given as aforesaid, the Corporation or such Warrantholders, as the case may be, may call and hold such meeting. Every such meeting shall be held in the City of Calgary or at such other place as may be approved or determined by the Trustee.

8.2 Notice

At least ten days' prior notice of any meeting of Warrantholders shall be given to the Warrantholders entitled to attend such meeting in the manner provided for in Section 11.2 and a copy of such notice shall be sent by mail to the Trustee (unless the meeting has been called by the Trustee) and to the Corporation (unless the meeting has been called by the Corporation). Such notice shall state the time when and the place where the meeting is to be held, shall state briefly the general nature of the business to be transacted thereat and shall contain such information as is reasonably necessary to enable the Warrantholders to make a reasoned decision on the matter, but it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article 8.

8.3 Chairman

An individual (who need not be a Warrantholder) designated in writing by the Trustee shall be chairman of the meeting and if no individual is so designated, or if the individual so designated is not present within 15 minutes from the time fixed for the holding of the meeting, the Warrantholders present in person or by proxy shall choose some individual present to be chairman.

8.4 Quorum

Subject to the provisions of Section 8.11, at any meeting of the Warrantholders a quorum shall consist of Warrantholders present in person or by proxy and entitled to acquire at least 25% of the aggregate number of Common Shares which could be acquired pursuant to all the then outstanding Special Warrants, provided that at least two persons entitled to vote thereat are personally present. If a quorum of the Warrantholders shall not be present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned by Warrantholders or on a Warrantholders' Request, shall be dissolved; but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day, in which case it shall be adjourned to the next following Business Day) at the same time and place and no notice of the adjournment need be given. Any business may be brought before or dealt with at an adjourned meeting which might have been dealt with at the original meeting in accordance with the notice calling the same. No business shall be transacted at any meeting unless a quorum be present at the commencement of business. At the adjourned meeting the Warrantholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened, notwithstanding that they may not be entitled to acquire at least 25% of the aggregate number of Common Shares which may be acquired pursuant to all then outstanding Special Warrants.

8.5 Power to Adjourn

The chairman of any meeting at which a quorum of the Warrantholders is present may, with the consent of the meeting, adjourn any such meeting, and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

8.6 Show of Hands

Every question submitted to a meeting shall be decided in the first place by a majority of the votes given on a show of hands except that votes on an Extraordinary Resolution shall be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact.

8.7 Poll and Voting

On every Extraordinary Resolution, and on any other question submitted to a meeting and after a vote by show of hands when demanded by the chairman or by one or more of the Warrantholders acting in person or by proxy and entitled to acquire in the aggregate at least 5% of the aggregate number of Common Shares which could be acquired pursuant to all the Special

Warrants then outstanding, a poll shall be taken in such manner as the chairman shall direct. Questions other than those required to be determined by Extraordinary Resolution shall be decided by a majority of the votes cast on the poll.

On a show of hands, every person who is present and entitled to vote, whether as a Warrantholder or as proxy for one or more absent Warrantholders, or both, shall have one vote. On a poll, each Warrantholder present in person or represented by a proxy duly appointed by instrument in writing shall be entitled to one vote in respect of each whole Common Share which he is entitled to acquire pursuant to the Special Warrant or Special Warrants then held or represented by it. A proxy need not be a Warrantholder. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Special Warrants, if any, held or represented by him.

8.8 Regulations

The Trustee, or the Corporation with the approval of the Trustee, may from time to time make and from time to time vary such regulations as it shall think fit for:

- (a) the setting of the record date for a meeting for the purpose of determining Warrantholders entitled to receive notice of and to vote at the meeting;
- (b) the issue of voting certificates by any bank, trust company or other depositary satisfactory to the Trustee stating that the Warrant Certificates specified therein have been deposited with it by a named person and will remain on deposit until after the meeting, which voting certificate shall entitle the persons named therein to be present and vote at any such meeting and at any adjournment thereof or to appoint a proxy or proxies to represent them and vote for them at any such meeting and at any adjournment thereof in the same manner and with the same effect as though the persons so named in such voting certificates were the actual bearers of the Warrant Certificates specified therein;
- (c) the deposit of voting certificates and instruments appointing proxies at such place and time as the Trustee, the Corporation or the Warrantholders convening the meeting, as the case may be, may in the notice convening the meeting direct;
- (d) the deposit of voting certificates and instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed or telecopied before the meeting to the Corporation or to the Trustee at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting;
- (e) the form of the instrument of proxy; and
- (f) generally for the calling of meetings of Warrantholders and the conduct of business thereat.

Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only persons who shall be recognized at any meeting as a Warrantholder, or be entitled to vote or be present at the meeting in respect thereof (subject to Section 8.9), shall be Warrantholders or their counsel, or proxies of Warrantholders.

8.9 Corporation and Trustee May be Represented

The Corporation and the Trustee, by their respective directors, officers and employees, the counsel for the Corporation and the Counsel for the Trustee may attend any meeting of the Warrantholders, but shall not be entitled to vote thereat, whether in respect of any Special Warrants held by them or otherwise.

8.10 Powers Exercisable by Extraordinary Resolution

In addition to all other powers conferred upon them by any other provisions of this Indenture or by law, the Warrantholders at a meeting shall, subject to the provisions of Section 8.11, have the power, exercisable from time to time by Extraordinary Resolution:

- (a) to agree to any modification, abrogation, alteration, compromise or arrangement of the rights of Warrantholders or the Trustee in its capacity as trustee hereunder or on behalf of the Warrantholders against the Corporation whether such rights arise under this Indenture or the Warrant Certificates or otherwise;
- (b) to amend, alter or repeal any “Extraordinary Resolution” previously passed or sanctioned by the Warrantholders;
- (c) to direct or to authorize the Trustee to enforce any of the covenants on the part of the Corporation contained in this Indenture or the Warrant Certificates or to enforce any of the rights of the Warrantholders in any manner specified in such Extraordinary Resolution or to refrain from enforcing any such covenant or right;
- (d) to waive, and to direct the Trustee to waive, any default on the part of the Corporation in complying with any provisions of this Indenture or the Warrant Certificates either unconditionally or upon any conditions specified in such Extraordinary Resolution;
- (e) to restrain any Warrantholder from taking or instituting any suit, action or proceeding against the Corporation for the enforcement of any of the covenants on the part of the Corporation in this Indenture or the Warrant Certificates or to enforce any of the rights of the Warrantholders;
- (f) to direct any Warrantholder who, as such, has brought any suit, action or proceeding to stay or to discontinue or otherwise to deal with the same upon

payment of the costs, charges and expenses reasonably and properly incurred by such Warrantholder in connection therewith;

- (g) to assent to any change in or omission from the provisions contained in the Warrant Certificates and this Indenture or any ancillary or supplemental instrument which may be agreed to by the Corporation, and to authorize the Trustee to concur in and execute any ancillary or supplemental indenture embodying the change or omission;
- (h) (with the consent of the Corporation, not to be unreasonably withheld) to remove the Trustee or its successor in office and to appoint a new trustee or Trustees to take the place of the Trustee so removed; and
- (i) to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Corporation.

8.11 Meaning of Extraordinary Resolution

- (a) The expression “Extraordinary Resolution” when used in this Indenture means, subject as hereinafter provided in this Section 8.11 and in Section 8.14, a resolution proposed at a meeting of Warrantholders duly convened for that purpose and held in accordance with the provisions of this Article 8 at which there are present in person or by proxy Warrantholders entitled to acquire at least 25% of the aggregate number of Common Shares which may be acquired pursuant to all the then outstanding Special Warrants and passed by the affirmative votes of Warrantholders entitled to acquire not less than 66 2/3% of the aggregate number of Common Shares which may be acquired pursuant to all the then outstanding Special Warrants represented at the meeting and voted on the poll upon such resolution.
- (b) If, at the meeting at which an Extraordinary Resolution is to be considered, Warrantholders entitled to acquire at least 25% of the aggregate number of Common Shares which may be acquired pursuant to all the then outstanding Special Warrants are not present in person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by Warrantholders or on a Warrantholders' Request, shall be dissolved; but in any other case it shall stand adjourned to such day, being not less than 15 or more than 60 days later, and to such place and time as may be appointed by the chairman. Not less than 10 days' prior notice shall be given of the time and place of such adjourned meeting in the manner provided for in Section 11.2. Such notice shall state that at the adjourned meeting the Warrantholders present in person or by proxy shall form a quorum but it shall not be necessary to set forth the purposes for which the meeting, was originally called or any other particulars. At the adjourned meeting the Warrantholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such

adjourned meeting and passed by the requisite vote as provided in subsection 8.11(a) shall be an Extraordinary Resolution within the meaning of this Indenture notwithstanding that Warranholders entitled to acquire at least 25% of the aggregate number of Common Shares which may be acquired pursuant to all the then outstanding Special Warrants are not present in person or by proxy at such adjourned meeting.

- (c) Votes on an Extraordinary Resolution shall always be given on a poll and no demand for a poll on an Extraordinary Resolution shall be necessary.

8.12 Powers Cumulative

Any one or more of the powers or any combination of the powers in this Indenture stated to be exercisable by the Warranholders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers or any combination of powers from time to time shall not be deemed to exhaust the right of the Warranholders to exercise such power or powers or combination of powers then or thereafter from time to time.

8.13 Minutes

Minutes of all resolutions and proceedings at every meeting of Warranholders shall be made and duly entered in books to be provided from time to time for that purpose by the Trustee at the expense of the Corporation, and any such minutes as aforesaid, if signed by the chairman or the secretary of the meeting at which such resolutions were passed or proceedings had shall be *prima facie* evidence of the matters therein stated and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes shall have been made shall be deemed to have been duly convened and held, and all resolutions passed thereat or proceedings taken shall be deemed to have been duly passed and taken.

8.14 Instruments in Writing

All actions which may be taken and all powers that may be exercised by the Warranholders at a meeting held as provided in this Article 8 may also be taken and exercised by Warranholders entitled to acquire at least 66 2/3% of the aggregate number of Common Shares which may be acquired pursuant to all the then outstanding Special Warrants by an instrument in writing signed in one or more counterparts by such Warranholders in person or by attorney duly appointed in writing, and the expression "Extraordinary Resolution" when used in this Indenture shall include an instrument so signed.

8.15 Binding Effect of Resolutions

Every resolution and every Extraordinary Resolution passed in accordance with the provisions of this Article 8 at a meeting of Warranholders shall be binding upon all the Warranholders, whether present at or absent from such meeting, and every instrument in writing signed by Warranholders in accordance with Section 8.14 shall be binding upon all the Warranholders, whether signatories thereto or not, and each and every Warranholder and the Trustee (subject to the provisions for indemnity herein contained) shall be bound to give effect accordingly

to every such resolution and instrument in writing.

8.16 Holdings by Corporation Disregarded

In determining whether Warrantheolders holding Warrant Certificates evidencing the entitlement to acquire the required number of Common Shares are present at a meeting of Warrantheolders for the purpose of determining a quorum or have concurred in any consent, waiver, Extraordinary Resolution, Warrantheolders' Request or other action under this Indenture, Special Warrants owned legally or beneficially by the Corporation or any Subsidiary of the Corporation shall be disregarded in accordance with the provisions of Section 11.8.

ARTICLE 9 SUPPLEMENTAL INDENTURES

9.1 Provision for Supplemental Indentures for Certain Purposes

From time to time the Corporation (when authorized by action of the directors) and the Trustee may, subject to the provisions hereof, and they shall, when so directed in accordance with the provisions hereof, execute and deliver by their proper officers, indentures or instruments supplemental hereto, which thereafter shall form part hereof, for any one or more or all of the following purposes:

- (a) setting forth any adjustments resulting from the application of the provisions of Article 5;
- (b) adding to the provisions hereof such additional covenants and enforcement provisions as, in the opinion of Counsel, are necessary or advisable in the premises, provided that the same are not in the opinion of the Trustee prejudicial to the interests of the Warrantheolders;
- (c) giving effect to any Extraordinary Resolution passed as provided in Article 8;
- (d) making such provisions not inconsistent with this Indenture as may be necessary or desirable with respect to matters or questions arising hereunder or for the purpose of obtaining a listing or quotation of the Special Warrants on any stock exchange, provided that such provisions are not, in the opinion of the Trustee, prejudicial to the interests of the Warrantheolders;
- (e) adding to or altering the provisions hereof in respect of the transfer of Special Warrants, making provision for the exchange of Warrant Certificates and making any modification in the form of the Warrant Certificates which does not affect the substance thereof;
- (f) modifying any of the provisions of this Indenture, including relieving the Corporation from any of the obligations, conditions or restrictions herein contained, provided that such modification or relief shall be or become

operative or effective only if, in the opinion of the Trustee, such modification or relief in no way prejudices any of the rights of the Warrantholders or of the Trustee, and provided further that the Trustee may in its sole discretion decline to enter into any such supplemental indenture which in its opinion may not afford adequate protection to the Trustee when the same shall become operative; and

- (g) for any other purpose not inconsistent with the terms of this Indenture, including the correction or rectification of any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions herein, provided that in the opinion of the Trustee the rights of the Trustee and of the Warrantholders are in no way prejudiced thereby.

9.2 Successor Corporations

In the case of the consolidation, amalgamation, merger or transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation (“successor corporation”), the successor corporation resulting from such consolidation, amalgamation, merger or transfer (if not the Corporation) shall expressly assume, by supplemental indenture satisfactory in form to the Trustee and executed and delivered to the Trustee, the due and punctual performance and observance of each and every covenant and condition of this Indenture to be performed and observed by the Corporation.

ARTICLE 10 CONCERNING THE TRUSTEE

10.1 Trust Indenture Legislation

- (a) If and to the extent that any provision of this Indenture limits, qualifies or conflicts with a mandatory requirement of Applicable Legislation, such mandatory requirement shall prevail.
- (b) The Corporation and the Trustee agree that each will, at all times in relation to this Indenture and any action to be taken hereunder, observe and comply with and be entitled to the benefits of Applicable Legislation.

10.2 Rights and Duties of Trustee

- (a) In the exercise of the rights and duties prescribed or conferred by the terms of this Indenture, the Trustee shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own wilful misconduct or bad faith.
- (b) The obligation of the Trustee to commence or continue any act, action or

proceeding for the purpose of enforcing any rights of the Trustee or the Warrantholders hereunder shall be conditional upon the Warrantholders furnishing, when required by notice by the Trustee, sufficient funds to commence or to continue such act, action or proceeding and an indemnity reasonably satisfactory to the Trustee to protect and to hold harmless the Trustee against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damage it may suffer by reason thereof. None of the provisions contained in this Indenture shall require the Trustee to expend or to risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers unless indemnified as aforesaid.

- (c) The Trustee may, before commencing or at any time during the continuance of any such act, action or proceeding, require the Warrantholders, at whose instance it is acting to deposit with the Trustee the Special Warrants held by them, for which Special Warrants the Trustee shall issue receipts.
- (d) Every provision of this Indenture that by its terms relieves the Trustee of liability or entitles it to rely upon any evidence submitted to it is subject to the provisions of Applicable Legislation, of this Section 10.2 and of Section 10.3.

10.3 Evidence, Experts and Advisers

- (a) In addition to the reports, certificates, opinions and other evidence required by this Indenture, the Corporation shall furnish to the Trustee such additional evidence of compliance with any provision hereof, and in such form, as may be prescribed by Applicable Legislation or as the Trustee may reasonably require by written notice to the Corporation.
- (b) In the exercise of its rights and duties hereunder, the Trustee may, if it is acting in good faith, rely as to the truth of the statements and the accuracy of the opinions expressed in statutory declarations, opinions, reports, written requests, consents, or orders of the Corporation, certificates of the Corporation or other evidence furnished to the Trustee pursuant to a request of the Trustee, provided that such evidence complies with Applicable Legislation and that the Trustee complies with Applicable Legislation and that the Trustee examines the same and determines that such evidence complies with the applicable requirements of this Indenture.
- (c) Whenever it is provided in this Indenture or under Applicable Legislation that the Corporation shall deposit with the Trustee resolutions, certificates, reports, opinions, requests, orders or other documents, it is intended that the trust, accuracy and good faith on the effective date thereof and the facts and opinions stated in all such documents so deposited shall, in each and every such case, be conditions precedent to the right of the Corporation to have the Trustee take the action to be based thereon.

- (d) Proof of the execution of an instrument in writing, including a Warrantholders' Request, by any Warrantholder may be made by the certificate of a notary public, or other officer with similar powers, that the person signing such instrument acknowledged to it the execution thereof, or by an affidavit of a witness to such execution or in any other manner which the Trustee may consider adequate.
- (e) The Trustee may employ or retain such Counsel, accountants, appraisers or other experts or advisers as it may reasonably require for the purpose of discharging its duties hereunder and may pay reasonable remuneration for all services so performed by any of them, without taxation of costs of any Counsel, and shall not be responsible for any misconduct or negligence on the part of any such experts or advisers who have been appointed with due care by the Trustee.

10.4 Documents, Monies, etc. Held by Trustee

Any securities, documents of title or other instruments that may at any time be held by the Trustee subject to the trusts hereof may be placed in the deposit vaults of the Trustee or of any Canadian chartered bank listed in Schedule I of the Bank Act (Canada) or deposited for safekeeping with any such bank. The Dividend Funds and any other monies held by the Trustee, including in each case interest earned thereon, pending the application, release or withdrawal thereof under any provisions of this Indenture, shall be invested by the Trustee in its name in Permitted Investments in accordance with any directions of the Corporation from time to time given to the Trustee, or, in the absence of any such direction, shall be invested by the Trustee in such Permitted Investments as it may determine.

10.5 Actions by Trustee to Protect Interest

The Trustee shall have power to institute and to maintain such actions and proceedings as it may consider necessary or expedient to preserve, protect or enforce its interests and the interests of the Warrantholders.

10.6 Trustee Not Required to Give Security

The Trustee shall not be required to give any bond or security in respect of the execution of the trusts and powers of this Indenture or otherwise in respect of the premises.

10.7 Protection of Trustee

By way of supplement to the provisions of any law for the time being relating to Trustees it is expressly declared and agreed as follows:

- (a) the Trustee shall not be liable for or by reason of any statements of fact or recitals in this Indenture or in the Warrant Certificates (except the representation contained in Section 10.9 or in the certificate of the Trustee on

the Warrant Certificates) or be required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Corporation;

- (b) nothing herein contained shall impose any obligation on the Trustee to see to or to require evidence of the registration or filing (or renewal thereof) of this Indenture or any instrument ancillary or supplemental hereto; and
- (c) the Trustee shall not be bound to give notice to any person or persons of the execution hereof.

10.8 Replacement of Trustee; Successor by Merger

- (a) The Trustee may resign its trust and be discharged from all further duties and liabilities hereunder, subject to this Section 10.8, by giving to the Corporation not less than 90 days' prior notice in writing or such shorter prior notice as the Corporation may accept as sufficient. The Warranholders by Extraordinary Resolution shall have power at any time to remove the existing Trustee and to appoint a new Trustee. In the event of the Trustee resigning or being removed as aforesaid or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder, the Corporation shall forthwith appoint a new trustee unless a new trustee has already been appointed by the Warranholders; failing such appointment by the Corporation, the retiring Trustee or any Warranholder may apply to a justice of the Court of Queen's Bench of the Province of Alberta on such notice as such justice may direct, for the appointment of a new trustee; but any new trustee so appointed by the Corporation or by the Court shall be subject to removal as aforesaid by the Warranholders. Any new trustee appointed under any provision of this Section 10.8 shall be a corporation authorized to carry on the business of a trust company in the Qualifying Jurisdictions and, if required by the Applicable Legislation for any other provinces, in such other provinces. On any such appointment the new trustee shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as Trustee hereunder.
- (b) Upon the appointment of a successor trustee, the Corporation shall promptly notify the Warranholders thereof in the manner provided for in Section 11.2 hereof.
- (c) Any corporation into or with which the Trustee may be merged or consolidated or amalgamated, or any corporation resulting therefrom to which the Trustee shall be a party, or any corporation succeeding to the trust business of the Trustee shall be the successor to the Trustee hereunder without any further act on its part or any of the parties hereto, provided that such corporation would be eligible for appointment as a successor trustee under subsection 10.8(a).

- (d) Any Warrant Certificates certified but not delivered by a predecessor trustee may be certified by the successor trustee in the name of the predecessor or successor trustee.

10.9 Conflict of Interest

- (a) The Trustee represents to the Corporation that at the time of execution and delivery hereof no material conflict of interest exists between its role as a trustee hereunder and its role in any other capacity and agrees that in the event of a material conflict of interest arising hereafter it will, within 90 days after ascertaining that it has such material conflict of interest, either eliminate the same or assign its trust hereunder to a successor trustee approved by the Corporation and meeting the requirements set forth in subsection 10.8(a). Notwithstanding the foregoing provisions of this subsection 10.9(a), if any such material conflict of interest exists or hereafter shall exist, the validity and enforceability of this Indenture and the Warrant Certificate shall not be affected in any manner whatsoever by reason thereof.
- (b) Subject to subsection 10.9(a), the Trustee, in its personal or any other capacity, may buy, lend upon and deal in securities of the Corporation and generally may contract and enter into financial transactions with the Corporation or any Subsidiary of the Corporation without being liable to account for any profit made thereby.

10.10 Acceptance of Trust

The Trustee hereby accepts the trusts in this Indenture declared and provided for and agrees to perform the same upon the terms and conditions herein set forth.

10.11 Trustee Not to be Appointed Receiver

The Trustee and any person related to the Trustee shall not be appointed a receiver, a receiver and manager or liquidator of all or any part of the assets or undertaking of the Corporation.

10.12 Indemnity to the Trustee

Except for its act of gross negligence or wilful misconduct, the Trustee shall not be liable for any act done or step taken or omitted by it in good faith, or for any mistake of fact or law and the Corporation agrees to indemnify and save harmless the Trustee from and against all claims, demands, action, suits or other proceedings by whomsoever made, prosecuted or brought and from all loss, costs, damages and expenses in any manner based upon, occasioned by or attributable to any act of the Trustee in the execution of its duties hereunder. It is understood and agreed that this indemnification shall survive the termination of this Indenture.

10.13 Trustee Not Required to Give Notice of Default

The Trustee shall not be bound to give any notice or do or take any act, action or proceeding by virtue of the powers conferred on it hereby unless and until it shall have been required so to do under the terms hereof; nor shall the Trustee be required to take notice of any default hereunder, unless and until notified in writing of such default, which notice shall distinctly specify the default desired to be brought to the attention of the Trustee and in the absence of any such notice the Trustee may for all purposes of this Indenture conclusively assume that no default has been made in the observance or performance of any of the representations, warranties, covenants, agreements or conditions contained herein. Any such notice shall in no way limit any discretion herein given to the Trustee to determine whether or not the Trustee shall take action with respect to any default.

ARTICLE 11 GENERAL

11.1 Notice to the Corporation and the Trustee

- (a) Unless herein otherwise expressly provided, any notice to be given hereunder to the Corporation or the Trustee shall be deemed to be validly given if delivered, sent by registered letter, postage prepaid or telecopied:

If to the Corporation:

Kicking Horse Resources Ltd.
390, 800 - 6th Avenue S.W.
Calgary, Alberta T2P 3G3

Telecopy: (403) 264-4077
Attention: Warren Man-Son-Hing

If to the Trustee:

Montreal Trust Company of Canada
710, 530 - 8th Avenue S.W.
Calgary, Alberta T2P 3S8
Telecopy: (403) 267-6598
Attention: Manager, Corporate Trust Department

and any such notice delivered in accordance with the foregoing shall be deemed to have been received on the date of delivery or, if mailed, on the fifth Business Day following the date of the postmark on such notice or, if telecopied, on the next Business Day following the date of transmission provided that its contents are transmitted and received completely and accurately.

- (b) The Corporation or the Trustee, as the case may be, may from time to time notify the other in the manner provided in subsection 11.1(a) of a change of

address which, from the effective date of such notice and until changed by like notice, shall be the address of the Corporation or the Trustee, as the case may be, for all purposes of this Indenture.

- (c) If, by reason of a strike, lockout or other work stoppage, actual or threatened, involving postal employees, any notice to be given to the Trustee or to the Corporation hereunder could reasonably be considered unlikely to reach its destination, such notice shall be valid and effective only if it is delivered to the named officer of the party to which it is addressed or, if it is delivered to such party at the appropriate address provided in subsection 11.1(a), by telecopy or other means of prepaid, transmitted and recorded communication.

11.2 Notice to Warrantholders

- (a) Any notice to the Warrantholders under the provisions of this Indenture shall be valid and effective if delivered or sent by telecopy, except as otherwise set forth herein, or by ordinary post addressed to such holders at their post office addresses appearing on the register hereinbefore mentioned and shall be deemed to have been effectively given on the date of delivery or, if mailed, on the fifth Business Day following the date of the postmark on such notice or, if telecopied, on the next Business Day following the date of transmission provided that its contents are transmitted and received completely and accurately.
- (b) If, by reason of a strike, lockout or other work stoppage, actual or threatened, involving postal employees, any notice to be given to the Warrantholders hereunder could reasonably be considered unlikely to reach its destination, such notice shall be valid and effective only if it is delivered personally to such Warrantholders or if delivered to the address for such Warrantholders contained in the register of Special Warrants maintained by the Trustee, by telecopy or other means of prepaid transmitted and recorded communication.

11.3 Ownership of Special Warrants

The Corporation and the Trustee may deem and treat the registered owner of any Special Warrants as the absolute owner thereof for all purposes, and the Corporation and the Trustee shall not be affected by any notice or knowledge to the contrary except where the Corporation or the Trustee is required to take notice by statute or by order of a court of competent jurisdiction. A Warrantholder shall be entitled to the rights evidenced by its Warrant Certificate free from all equities or rights of set off or counterclaim between the Corporation and the original or any intermediate holder of the Special Warrants and all persons may act accordingly. The receipt of any such Warrantholder of the Common Shares (together with any property or securities, if any, required to be paid and delivered, respectively, pursuant to Section 4.3) which may be acquired pursuant thereto, shall be a good discharge to the Corporation and the Trustee for the same and neither the Corporation nor the Trustee shall be bound to inquire into the title of any such holder except where the Corporation or the Trustee is required to take notice by statute or by order of a court of competent jurisdiction.

11.4 Evidence of Ownership

- (a) Upon receipt of a certificate of any bank, trust company or other depository satisfactory to the Trustee stating that the Special Warrants specified therein have been deposited by a named person with such bank, trust company or other depository and will remain so deposited until the expiry of the period specified therein, the Corporation and the Trustee may treat the person so named as the owner, and such certificate as sufficient evidence of the ownership by such person of such Special Warrant during such period, for the purpose of any requisition, direction, consent, instrument or other document to be made, signed or given by the holder of the Special Warrant so deposited.
- (b) The Corporation and the Trustee may accept as sufficient evidence of the fact and date of the signing of any requisition, direction, consent, instrument or other document by any person (i) the signature of any officer of any bank, trust company, or other depository satisfactory to the Trustee as witness of such execution, (ii) the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded at the place where such certificate is made that the person signing acknowledged to him the execution thereof, (iii) a satisfactory statutory declaration of a witness of such execution, or (iv) any other documentation satisfactory to the Corporation and the Trustee.

11.5 Counterparts

This Indenture may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument and notwithstanding their date of execution they shall be deemed to be dated as of the date hereof.

11.6 Satisfaction and Discharge of Indenture

Upon the earlier of:

- (a) the date by which there shall have been delivered to the Trustee for exercise or destruction all Warrant Certificates theretofore certified hereunder; or
- (b) the Time of Expiry;

and if all certificates representing Common Shares required to be issued in compliance with the provisions hereof have been issued and delivered hereunder or to the Trustee in accordance with such provisions and if all payments required to be made in compliance with provisions of Article 4 have been made in accordance with such provisions, this Indenture shall cease to be of further effect and the Trustee, on demand of and at the cost and expense of the Corporation and upon delivery to the Trustee of a certificate of the Corporation stating that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture. Notwithstanding the foregoing, the indemnities

provided to the Trustee by the Corporation hereunder shall remain in full force and effect and survive the termination of this Indenture.

11.7 Provisions of Indenture and Special Warrants for the Sole Benefit of Parties and Warrantholders

Nothing in this Indenture or in the Warrant Certificates, expressed or implied shall give or be construed to give to any person other than the parties hereto and the Warrantholders, as the case may be, any legal or equitable right, remedy or claim under this Indenture, or under any covenant or provision herein or therein contained, all such covenants and provisions being for the sole benefit of the parties hereto and the Warrantholders.

11.8 Common Shares or Special Warrants Owned by the Corporation or its Subsidiaries - Certificate to be Provided

For the purpose of disregarding any Special Warrants owned legally or beneficially by the Corporation or any Subsidiary of the Corporation in Section 8.16, the Corporation shall provide to the Trustee, from time to time, a certificate of the Corporation setting forth as at the date of such certificate:

- (a) the names (other than the name of the Corporation) of the registered holders of Special Warrants which, to the knowledge of the Corporation, are owned by or held for the account of the Corporation or any Subsidiary of the Corporation; and
- (b) the number of Special Warrants owned legally or beneficially by the Corporation or any Subsidiary of the Corporation;

and the Trustee, in making the computations in Section 8.16, shall be entitled to rely on such certificate without any additional evidence.

IN WITNESS WHEREOF the parties hereto have executed this Indenture under their respective corporate seals and the hands of their proper officers in that behalf.

KICKING HORSE RESOURCES LTD.

PER: “Signed”

PER: “Signed”

MONTREAL TRUST COMPANY OF CANADA

PER: “Signed”

PER: “Signed”

THIS IS SCHEDULE "A" to the Special Warrant Indenture made as of December 31, 1999 between KICKING HORSE RESOURCES LTD. and MONTREAL TRUST COMPANY OF CANADA as Trustee.

FLOW-THROUGH SPECIAL WARRANT CERTIFICATE

KICKING HORSE RESOURCES LTD.
(Incorporated under the laws of the Province of Alberta)

FLOW-THROUGH SPECIAL WARRANT
CERTIFICATE NO. _____

_____ FLOW-THROUGH SPECIAL
WARRANTS (the "Special Warrants") entitling the
holder to acquire, subject to adjustment, one Common
Share for each Special Warrant represented hereby.

THIS IS TO CERTIFY THAT

(Name)

(hereinafter referred to as the "holder") is entitled to acquire in the manner and subject to the restrictions and adjustments set forth herein, at any time and from time to time until 5:00 p.m. (Calgary time) (the "Time of Expiry") on the earlier of: (i) five days after the date upon which a receipt for a final prospectus relating to the distribution of the Common Shares (the "Common Shares") upon the exercise of Special Warrants (the "Prospectus") has been obtained from the Securities Commissions of Alberta and Ontario (the "Qualifying Jurisdictions"); and (ii) the date that is one year from the date the Special Warrants were issued (the "Expiry Date") one fully paid and non-assessable Common Share of Kicking Horse Resources Ltd. (the "Corporation"), as such shares were constituted on December 31, 1999, for each Special Warrant represented hereby.

The right to acquire Common Shares may only be exercised by the holder within the time set forth above by:

- (1) duly completing and executing the Exercise Form attached hereto; and
- (2) surrendering this Special Warrant Certificate to the Trustee at the principal office of Montreal Trust Company of Canada (the "Trustee") in Calgary, Alberta.

These Special Warrants shall be deemed to be surrendered only upon personal delivery hereof or, if sent by mail or other means of transmission, upon actual receipt thereof by the Trustee

at the office referred to above.

Upon surrender of these Special Warrants, the person or persons in whose name or names the Common Shares issuable upon exercise of the Special Warrants are to be issued shall be deemed for all purposes (except as provided in the Indenture hereinafter referred to) to be the holder or holders of record of such Common Shares and the Corporation has covenanted that it will (subject to the provisions of the Indenture) cause a certificate or certificates representing such Common Shares to be delivered or mailed to the person or persons at the address or addresses specified in the Exercise Form within five Business Days.

The registered holder of these Special Warrants may acquire any lesser number of Common Shares than the number of Common Shares which may be acquired for the Special Warrants represented by this Special Warrant Certificate. In such event, the holder shall be entitled to receive a new Special Warrant Certificate for the balance of the Common Shares which may be acquired. No fractional Common Shares will be issued.

At the Time of Expiry, the right of a holder to acquire Common Shares represented hereby will be deemed to have been exercised by the registered holder thereof without any further action on the part of the holder and the certificates representing the Common Shares issued thereby will be mailed to each Warrantholder at the address of the registered holder recorded on the Register maintained by the Trustee at its principal office in Calgary, Alberta, as soon as practicable. After the Time of Expiry, this Special Warrant Certificate shall no longer evidence a right to acquire any Common Shares and shall have no further force and effect.

The Special Warrants represented by this Special Warrant Certificate are issued under and pursuant to a Special Warrant Indenture (hereinafter referred to as the "Indenture") made as of December 31, 1999 between the Corporation and the Trustee. Reference is made to the Indenture and any instruments supplemental thereto for a full description of the rights of the holders of the Special Warrants and the terms and conditions upon which the Special Warrants are, or are to be, issued and held, with the same effect as if the provisions of the Indenture and all instruments supplemental thereto were herein set forth. In the event of a conflict between the provisions of this Special Warrant Certificate and the Indenture, the provisions of the Indenture shall govern. By acceptance hereof, the holder assents to all provisions of the Indenture. Capitalized terms used in the Indenture have the meaning herein as therein, unless otherwise defined.

In the event of any alteration of the Common Shares, including any subdivision, consolidation or reclassification, and in the event of any form of reorganization of the Corporation, including any amalgamation, merger or arrangement, the holders of Special Warrants shall, upon exercise of the Special Warrants following the occurrence of any of those events, be entitled to receive the same number and kind of securities that they would have been entitled to receive had they exercised their Special Warrants immediately prior to the occurrence of those events.

The registered holder of this Special Warrant Certificate may, at any time prior to the Expiry Date, upon surrender hereof to the Trustee at its principal office in Calgary, Alberta, exchange this Special Warrant Certificate for other Special Warrant Certificates entitling the holder to acquire, in the aggregate, the same number of Common Shares as may be acquired under this Special Warrant Certificate.

The holding of the Special Warrants evidenced by this Special Warrant Certificate shall not constitute the holder hereof a shareholder of the Corporation or entitle the holder to any right or interest in respect thereof except as expressly provided in the Indenture and in this Special Warrant Certificate.

The Indenture provides that all holders of Special Warrants shall be bound by any resolution passed at a meeting of the holders held in accordance with the provisions of the Indenture and resolutions signed by the holders of Special Warrants entitled to acquire a specified majority of the Common Shares which may be acquired pursuant to all then outstanding Special Warrants.

The Special Warrants evidenced by this Special Warrant Certificate may be transferred on the register kept at the offices of the Trustee by the registered holder hereof or its legal representatives or its attorney duly appointed by an instrument in writing in form and execution satisfactory to the Trustee, only upon compliance with the conditions prescribed in the Indenture and upon compliance with such reasonable requirements as the Trustee may prescribe. **THE TRANSFER OF THE SPECIAL WARRANTS EVIDENCED HEREBY MAY BE RESTRICTED BY APPLICABLE SECURITIES LAWS. HOLDERS ARE ADVISED TO CONSULT THEIR LEGAL COUNSEL IN THIS REGARD.**

The Special Warrants evidenced by this Special Warrant Certificate have not been and will not be registered under the *United States Securities Act of 1933*, as amended (the “U.S. Securities Act”), and may not be offered or sold to a person in the United States, except pursuant to an exemption from registration under the U.S. Securities Act. Compliance with the securities laws of any jurisdiction is the responsibility of the holder of this Special Warrant Certificate or its transferee.

This Special Warrant Certificate shall not be valid for any purpose whatever unless and until it has been certified by or on behalf of the Trustee.

Time shall be of the essence hereof.

IN WITNESS WHEREOF the Corporation has caused this Special Warrant Certificate to be signed by its duly authorized officer as of December 31, 1999.

KICKING HORSE RESOURCES LTD.

PER: _____

Certified by:

MONTREAL TRUST COMPANY OF CANADA
Trustee

BY: _____

TRANSFER OF FLOW-THROUGH SPECIAL WARRANTS

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers to
(the "Transferee") _____
Flow-Through Special Warrants (the "Special Warrants") of KICKING HORSE RESOURCES LTD.
registered in the name of the undersigned on the records of Kicking Horse Resources Ltd. maintained
by Montreal Trust Company of Canada represented by the Special Warrant Certificate attached and
irrevocably appoints the Transferee as the attorney of the undersigned to transfer the said securities
on the books or register with full power of substitution.

DATED the _____ day of _____, 200__.

Signature Guaranteed

(Signature of Special Warrantholder)

Instructions:

1. Signature of the Special Warrantholder must be the signature of the person appearing on the face of this Special Warrant Certificate.
2. If the Transfer Form is signed by a trustee, executor, administrator, curator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity, the certificate must be accompanied by evidence of authority to sign satisfactory to the Trustee and the Corporation.
3. The signature(s) on the Transfer Form must be guaranteed by a Schedule "A" major chartered bank/trust company, or a member of an acceptable medallion guarantee program. The guarantor must affix a stamp bearing the actual words "Signature Guaranteed". Signature Guarantees are not accepted from treasury branches or credit unions unless they are members of the stamp medallion program. In the USA, Signature Guarantees must be done by members of the "Medallion Signature Guarantee Program" only.
4. Special Warrants shall only be transferable in accordance with applicable laws. The transfer of Special Warrants to a purchaser not resident in a Qualifying Jurisdiction may result in the Common Shares obtained upon the exercise of the Special Warrants (whether after or before obtaining receipts for a final prospectus relating to the distribution of Common Shares upon exercise of Special Warrants) not being freely tradeable in the jurisdiction of the purchaser.

EXERCISE FORM

**TO: KICKING HORSE RESOURCES LTD.
MONTREAL TRUST COMPANY OF CANADA**

The undersigned hereby exercises the right to acquire _____ Common Shares of Kicking Horse Resources Ltd. as constituted on December 31, 1999 (or such number of other securities or property to which such Flow-Through Special Warrants entitle the undersigned in lieu thereof or in addition thereto under the provisions of the Indenture referred to in the accompanying Flow-Through Special Warrant Certificate) in accordance with and subject to the provisions of such Indenture.

The Common Shares (or other securities or property) are to be issued as follows:

NAME: _____
(Print Clearly)

ADDRESS IN FULL: _____

SOCIAL INSURANCE NUMBER: _____

NUMBER OF UNITS: _____

Note: If further nominees intended, please attach (and initial) schedule giving these nominees.

DATED this _____ day of _____, 200____.

Signature Guaranteed

(Signature of Flow-Through Special
Warrantholder)

(Print full name)

(Print full address)

Instructions:

1. The registered holder may exercise its right to receive Common Shares by completing this form and surrendering this form and the Flow-Through Special Warrant Certificate representing the Flow-Through Special Warrants being exercised to Montreal Trust Company of Canada at its principal office at Suite 600, 530 - 8th Avenue S.W., Calgary, Alberta T2P 3S8. Certificates for Common Shares will be delivered or mailed within five business days after the exercise of the Flow-Through Special Warrants.
2. If the Exercise Form indicates that Common Shares are to be issued to a person or persons other than the registered holder of the Certificate, the signature(s) must be guaranteed by a Schedule "A" major chartered bank/trust company, or a member of an acceptable medallion guarantee program. The guarantor must affix a stamp bearing the actual words "Signature Guaranteed". Signature Guarantees are not accepted from treasury branches or credit unions unless they are members of the stamp medallion program. In the USA, Signature Guarantees must be done by members of the "Medallion Signature Guarantee Program" only.
3. If the Exercise Form is signed by a trustee, executor, administrator, curator, guardian, attorney, officer of a corporation or any person acting in a judiciary or representative capacity, the certificate must be accompanied by evidence of authority to sign satisfactory to the Trustee and the Corporation.
4. If the registered holder exercises its right to receive Common Shares prior to a receipt being issued by the applicable securities commission the Common Shares will be subject to a hold period and may be issued with a legend reflecting such hold period.

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