UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THIS SECURITY BEFORE JUNE 18, 2010.

WITHOUT PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF THE TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL JUNE 18, 2010.

ENSECO ENERGY SERVICES CORP.

Continued under the Business Corporations Act (Alberta)

CDN. $3,000,000 SUBORDINATED SECURED CONVERTIBLE DEBENTURE

Due February 17, 2011 (subject to extension)

ENSECO ENERGY SERVICES CORP. (the "**Corporation**") for value received hereby promises to pay to [redacted], an investment trust organized under the laws of Alberta, having an office at [redacted], or such other Person or Persons who may at the time be the registered holder hereof (the "**Holder**") on February 17, 2011, or such other date as the principal amount hereof may become due subject to and in accordance with the terms, conditions and provisions of Schedule "A" hereto, on presentation and surrender of this Debenture, the sum of Three Million Dollars (Cdn. $3,000,000) in lawful money of Canada, and in the meantime to pay interest on the Principal Sum outstanding hereunder in like currency at the Interest Rate or such other rate of interest as specified in accordance with the terms, conditions and provisions of Schedule "A" hereto, as and from February 17, 2010 until full and final payment and discharge hereof. Interest accruing due hereunder shall be calculated daily on the basis of a 365 or 366 day year (as the case may be) and shall be due and payable quarterly in arrears on the last Business Day of each of the months of March, June, September and December in each year, the first such payment to fall due on the last Business Day of March, 2010 unless the Principal Sum and Interest is not paid on the Maturity Date, in which event interest shall be due and paid monthly on the last day of each calendar month thereafter. Any amount of interest not paid when due (including overdue and unpaid interest), and all interest calculated after maturity, default, demand and judgment, shall bear interest at the aforesaid rate, be calculated daily and compounded on the last Business Day of each calendar month (by adding such accrued and unpaid interest to the Principal Sum, the total of which shall then bear interest at the aforesaid rate, and shall be paid without the necessity for any demand being made. The theory of deemed reinvestment shall not apply to the calculation of interest or the payment of other amounts hereunder.

This Debenture is issued upon the terms and conditions as are set out in Schedule "A" hereto, which terms, conditions and provisions are attached hereto and are incorporated herein and form a part hereof. Unless the context otherwise requires capitalized expressions herein shall have the meanings provided for in Schedule "A" hereto. This Debenture is subject to Inter-Lender Agreements which may affect payments to be made to the Holder under the terms of this Debenture.

IN WITNESS WHEREOF the Corporation has executed this Debenture as of February 17, 2010.

ENSECO ENERGY SERVICES CORP.

Per: *"Signed"*
Aly Khan Musani
Senior Vice President and Chief Financial Officer

SCHEDULE "A"
TO CDN. $3,000,000 SUBORDINATED SECURED CONVERTIBLE DEBENTURE OF ENSECO ENERGY SERVICES CORP. DUE FEBRUARY 17, 2011 (SUBJECT TO EXTENSION)

The following terms and conditions are applicable to the $3,000,000, Subordinated Secured Convertible Debenture, due February 17, 2011 (subject to extension) of Enseco Energy Services Corp.

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Debenture, unless there is something in the subject matter or context inconsistent therewith, the expressions following shall have the following meanings, namely:

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

"**Acquisition**" means the acquisition by the Corporation of certain directional drilling and other assets of a private directional services company;

"**acting jointly or in concert**" has the meaning ascribed to that expression in the *Securities Act* (Alberta);

"**Adjustment Period**" means the period during which this Debenture is Outstanding;

"**Affiliate**" has the meaning ascribed thereto in Section 2(1) of the *Business Corporations Act* (Alberta);

"**Applicable Laws**" means, in relation to any Person, property, transaction or event, all applicable provisions, whether now or hereafter in effect (or mandatory applicable provisions, if so specified) of federal, provincial, state or local laws, statutes, rules, regulations, official directives, notices, policies and orders of all Governmental Authorities (whether or not having the force of law) and all judgments, orders and decisions of all Governmental Authorities in which the Person in question is a party or by which such Person is bound or having application to the Person, property, transaction or event;

"**Applicable Securities Laws**" means all Applicable Laws of any Governmental Authority relating to the issue or transfer or trading in securities;

"**Asset Sale**" means any sale, issuance, conveyance, transfer, lease, assignment or other disposition by the Corporation to any Person other than a Subsidiary of the Corporation (collectively, for purposes of this definition, a "**transfer**") of any assets of the Corporation other than: (i) a transfer of obsolete or unsuitable assets; (ii) the previously announced transfer of the Corporation's wireline units for an aggregate purchase price of approximately $1.15 million which is expected to close on or about February 19, 2010; and (iii) any transfer of assets, including all transfers since the issuance of this Debenture (other than those referred to in (i) and (ii)), which accumulates to an amount which is not greater $1,000,000;

"**Asset Sale Offer**" has the meaning provided in Section 5.5(b)(i);

"**Asset Sale Offer Price**" has the meaning provided in Section 5.5(b)(i);

"**Bank**" means HSBC Bank Canada and any other Canadian chartered bank(s) or similar financial institution(s) to which the Corporation is liable in respect of Permitted Indebtedness;

"**Business Day**" means a day (other than a Saturday, Sunday or statutory holiday) on which banks are generally open for business in the City of Calgary, Alberta;

"**Canadian Dollars**" and the symbol "Cdn. $" each means lawful money of Canada;

"**Change of Control**" means, in respect of the Corporation, other than with the approval of the Holder, the occurrence of any of the following events:

(a) a Person or group of Persons, acting jointly or in concert acquires, directly or indirectly (other than by way of security for a *bona fide* debt):

  (i) securities of the Corporation to which are attached more than 50% of the votes that may be cast to elect any director of the Corporation;

  (ii) a sufficient number of securities of the Corporation such that the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the Corporation;

(b) the Corporation approves the liquidation, winding-up or other dissolution of the Corporation;

(c) Scott Ratushny is no longer a member of the board of directors of the Corporation, unless he ceases to be a director as a result of incapacity or death; or

(d) the Corporation completes a Merger Transaction that results in any of the occurrence of any of the conditions described in paragraph (a) above;

"**Change of Control Offer**" has the meaning provided in Section 5.1(a);

"**Change of Control Notice**" has the meaning provided in Section 5.1(a);

"**Charge**" means the Security Interests created by or intended to be created pursuant to Article 3;

"**Collateral**" means the whole, or any item or part, of the property, assets, rights and undertaking of the Corporation or any Subsidiaries thereof who have granted security interests in favour of the Holder from time to time subjected or intended to be subjected to the Charge and any reference herein to the Collateral shall, unless the context otherwise requires, be deemed to be a reference to all of the Collateral or any part thereof;

"**Common Shares**" or "**Shares**" means, subject to Section 6.1(d), fully paid and non-assessable common shares of the Corporation;

"**Corporate Reorganization**" has the meaning provided in Section 6.1(d);

"**Conversion Date**" in respect of the exercise by the Holder or the Corporation of a Conversion Right, means the date on which the Holder gives notice of the conversion of the whole or part of the Principal Sum pursuant to Section 4.1(c) or the date on which the Corporation gives notice to the Holder of the conversion of the whole or any part of the Principal Sum pursuant to Section 4.1(d);

"Conversion Period" means the period during which the Holder or the Corporation may exercise the Conversion Right pursuant to Section 4.1(a);

"Conversion Price" means, at any time, the price per Common Share at which the Principal Sum shall at such time be convertible into Common Shares, being $0.30 per share as at the date hereof as adjusted in accordance with the provisions of Article 6;

"Conversion Right" means the right of the Holder to convert or of the Corporation to force conversion, as the case may be, of the whole or any portion of the Principal Sum into Shares at the Conversion Price pursuant to Section 4.1(a);

"Corporation" means Enseco Energy Services Corp. and its permitted successors and assigns;

"Corporation's Auditors" means the firm of independent chartered accountants duly appointed as auditors of the Corporation from time to time;

"Counsel" means a barrister or solicitor or a firm of barristers and solicitors or other legal counsel but shall not include legal counsel in the employ of the Corporation or any Affiliate of the Corporation;

"Credit Facility" means the amended and restated credit agreement dated November 30, 2009 among HSBC Canada, the Corporation and the Subsidiaries of the Corporation, as the same may be amended from time to time;

"Current Market Price" means at any date of determination, the Weighted Average Price per Share for the 20 consecutive Trading Days (60 Trading Days in the case of the exercise of the Corporation's Conversion Right) ending on the third Trading Day preceding the date of determination on the TSXV or, if on such date the Common Shares are not listed on the TSXV, on such stock exchange upon which the Common Shares are listed and as selected by the Directors, acting reasonably, or, if such Common Shares are not listed on any stock exchange, then at the Fair Market Value acting reasonably after consultation with an independent firm of chartered accountants or registered investment dealers;

"Default" means any event or circumstance which with the giving of notice or lapse of time would constitute an Event of Default;

"Director" means a director of the Corporation 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;

"Disclosure Record" means the Corporation's annual reports, financial statements, management's discussion and analysis, information circulars, material change reports, press releases, certificates, notices and all other information or documents filed with any Securities Commission in compliance, or intended compliance, with any Applicable Securities Laws and which is available for review by the public at www.sedar.com;

"Environmental Laws" means all Applicable Laws relating to the environment, including all Applicable Laws relating to the Release or threatened Release of any materials into the environment or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals, industrial substances, toxic substances, hazardous substances or wastes;

"**Environmental Liabilities**" means any and all indebtedness, liabilities and obligations for any Release, any environmental damage, any contamination or any other environmental problem caused or alleged to have been caused to any Person, property or the environment as a result of any Release or the condition of any property or asset, whether or not caused by a breach of Applicable Laws, including all indebtedness, liabilities and obligations arising from or related to: (i) any surface, underground, air, groundwater, or surface water contamination; (ii) the abandonment or plugging of any well; (iii) restorations and reclamations; (iv) the removal of or failure to remove any foundations, structures or equipment; (v) the cleaning up or reclamation of storage sites; (vi) any Release; (vii) violation of pollution standards; and (viii) personal injury (including sickness, disease or death) and property damage arising from the foregoing;

"**Event of Default**" means any event or circumstance specified in Section 9.1, which has not been waived or cured or remedied;

"**Excess Proceeds**" has the meaning provided in Section 5.5(a);

"**Extension Term**" has the meaning ascribed thereto in Section 2.7;

"**Fair Market Value**" means, with respect to any property, the price (after taking into account any liabilities relating to such property) that would be negotiated in an arm's-length transaction for cash between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction, as such price is determined in good faith by the directors as evidenced by a resolution of the directors or committee thereof;

"**Financial Indebtedness**" of any Person at any date means, without duplication, all Indebtedness of such Person: (i) for borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof); (ii) evidenced by bonds, debentures, notes or other similar instruments; (iii) in respect of financial letters of credit or other similar instruments (or reimbursement obligations with respect thereto); (iv) to pay the deferred and unpaid purchase price of property or services except for trade payables and accrued expenses incurred by such Person in the ordinary course of business in connection with obtaining goods, materials or services; (v) in respect of leases of such Person that are required to be shown as a liability on the financial statements of such Person prepared in accordance with GAAP but excluding for certainty, operating leases; (vi) secured by a Security Interest on any asset of such Person, whether or not such Indebtedness is assumed by such Person; (vii) under conditional sale or other title retention agreements (other than operating leases) relating to assets purchased by such Person; (viii) in respect of redemption obligations with respect to any shares of any other Person which are (I) redeemable, retractable, payable or required to be purchased or otherwise retired or extinguished, or convertible into debt of such Person in any case, prior to the end of the Maturity Date (A) at a fixed or determinable date, (B) at the option of any holder thereof, or (C) upon the occurrence of a condition not solely within the control and discretion of such Person; or (II) convertible into any other shares or units described in (I) above; and (ix) all Indebtedness of the type referred to in any of the foregoing sub-clauses (i) to (vii) of other Person for which such first mention Person is liable. Notwithstanding the foregoing, accrued expenses, trade payables, customer deposits or deferred income taxes arising in the ordinary course of business shall not be considered Financial Indebtedness. Indebtedness which is incurred at a discount to the principal amount at maturity thereof shall be deemed to have been incurred at the full principal amount at maturity thereof;

"**Financial Statements**" means, collectively, the audited annual comparative consolidated financial statements of the Corporation as at and for the years ended March 31, 2009 and 2008, together with the notes thereto and the auditors' report thereon, and the unaudited interim comparative consolidated financial statements of the Corporation as at and for the three and six month periods ended September 30, 2009 and 2008, together with the notes thereto;

"Focus Agreements" means: (i) the Share Purchase Agreement among the Corporation, 1113954 Alberta Ltd., 1104291 Alberta Ltd., Focus Directional Services Inc., Focus Downhole Tools Inc. and the Focus Shareholders; and (ii) the guarantees and general security agreements from Enseco and various Subsidiaries of Enseco to F5 and the inter-lender agreement entered into between the Corporation, HSBC Bank Canada and F5 in connection with the transactions contemplated by the Share Purchase Agreement;

"Focus Shareholders" means Darcy Wiebe, Scott Toews, Darren Daviduk, Dean Yuill and Blair Layton;

"F5" means F5 Investments Ltd., a corporation having an office in the City of Calgary, in the Province of Alberta;

"Generally Accepted Accounting Principles" or **"GAAP"** means generally accepted accounting principles as may be described in the Canadian Institute of Chartered Accountants Handbook, including International Financial Reporting Standards to the extent applicable, and other principal sources recognized from time to time by the Canadian Institute of Chartered Accountants;

"Governmental Approval" means an authorization, consent, approval, waiver, order, decree, licence, exemption, permit, registration, filing, qualification or declaration of or with any Governmental Authority or the giving of notice to any Governmental Authority or any other action in respect of a Governmental Authority;

"Governmental Authority" means any federal, state, provincial, county, local or municipal government; any governmental body, agency, authority, board, bureau, department or commission (including any taxing authority); any instrumentality or office of any of the foregoing (including any court or tribunal) exercising executive, legislative, judicial, regulatory or administrative functions; or any Person directly or indirectly controlled by any of the foregoing, and in the case of Applicable Securities Laws, includes any stock exchange on which the Shares are posted or listed for trading;

"Holder" means [redacted], and its successors and permitted assigns or the Person or Persons from time to time registered as the holder or holders of this Debenture pursuant to Section 11.1;

"including" means including, without limitation, and shall not be construed to limit any general statement which it follows to the specific or similar items or matters immediately following it, and "includes" shall be construed in a like manner;

"incur" means, with respect to any Indebtedness, incur, create, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to such Indebtedness, and "incurrence" has a corresponding meaning;

"Indebtedness" means all present and future obligations, indebtedness, liabilities, covenants, agreements and undertakings of a Person howsoever arising, whether direct or indirect, absolute or contingent, matured or not, extended or renewed, wheresoever and howsoever incurred, including all future advances and re-advances, and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether such Person be bound alone or with others and whether as principal or surety, including all interest, fees, expenses, indemnities and costs;

"**Inter-Lender Agreements**" means, collectively, the agreement dated as of the date hereof between the Corporation, the Holder and HSBC Bank Canada and the agreement dated as of the date hereof between the Corporation, the Holder and F5, each as amended from time to time;

"**Interest Payment Restriction Event**" shall occur in the event that a Senior Lender provides notice prohibiting the Corporation from paying all or any portion of interest to the Holder hereunder pursuant to any Inter-Lender Agreement;

"**Interest**" means the interest from time to time calculated and payable pursuant to Article 2 on the Principal Sum and any other amounts owing by the Corporation to the Holder under this Debenture;

"**Interest Payment Date**" means the last Business Day of each calendar quarter in each year for so long as this Debenture is outstanding and the Maturity Date, provided that in the event that:

(a) all or any part of the Principal Sum is partially or totally prepaid or converted at any time other than on an Interest Payment Date, then the date upon which such partial or total prepayment or conversion occurs shall be an Interest Payment Date in respect of the amount of such Principal Sum so prepaid or converted; and

(b) if all amounts owing under this Debenture are not repaid on the Maturity Date, the last Business Day of each calendar month after the Maturity Date;

"**Interest Period**" means:

(a) the period beginning on (and including) the date of execution of this Debenture and ending on (and including) the last day of the calendar quarter in which the date hereof occurs; and

(b) thereafter, successive periods beginning on (but excluding) each successive Interest Payment Date and ending on (and including) the earlier of the next Interest Payment Date and the Maturity Date; and

(c) if applicable, after the Maturity Date, the period beginning on (but excluding) the Maturity Date and ending on (and including) the last day of each calendar month and thereafter beginning on (and including) the first day of each calendar month and ending on (and including) the last day of each calendar month;

"**Interest Rate**" means a rate of interest equal to: (a) twelve per cent (12.0%) per annum while the Corporation owes any Indebtedness to F5 or the Focus Shareholders or until such parties release and discharge all of the Security Interests they hold over the Collateral; or (b) if such Indebtedness is repaid and such Security interests are released and discharged, until the first anniversary hereof, ten per cent (10.0%) per annum, subject in each case to adjustment pursuant to Section 2.7 and Section 2.8;

"**Material Adverse Effect**" means any effect on or change in either the Corporation, any Subsidiary or the business of the Corporation or any Subsidiary that is or is reasonably likely to be materially adverse to the results of operations, financial condition, assets, prospects, properties, capital, liabilities (contingent or otherwise), cash flow, income or business operations of the Corporation and the Subsidiaries (taken as a whole);

"**Material Agreements**" means, the Credit Facility, the Focus Agreements, the Secured Debentures and the Underwriting Agreement;

"**Maturity Date**" means the earlier of: (i) initially, February 17, 2011, or as extended pursuant to Section 2.7; and (ii) the date on which the Principal Sum is declared to be, or pursuant to Section 9.2 is automatically, due and owing as a result of an Event of Default;

"**Merger Transaction**" means any transaction of merger, amalgamation, consolidation, winding-up, plan of arrangement, reorganization or reconstruction with any Person or any transaction by way of transfer, liquidation, sale, lease, disposition or otherwise whereby all or substantially all of the Corporation's undertaking, property or assets would become the property of any other Person;

"**Net Proceeds**" has the meaning provided in Section 5.5(a);

"**Obligations**" means any and all Indebtedness of the Corporation to the Holder under this Debenture;

"**Offer Price**" has the meaning provided in Section 5.1(a);

"**Outstanding**" when used in relation to this Debenture has the meaning provided for in Section 1.7;

"**Payment Account**" means such account as the Holder may from time to time advise the Corporation in writing for the purpose of payments to be made to the Holder pursuant to Article 2;

"**Permitted Encumbrances**" means those items set forth in **Appendix 1**;

"**Person**" means any individual, firm, partnership, trust, company, corporation or other body corporate, government, governmental body, agency, instrumentality, unincorporated body or association and the heirs, executors, administrators or other legal representatives of an individual;

"**PPSA**" means the *Personal Property Security Act* (Alberta), as amended from time to time; and terms and expressions defined in the PPSA will, when used herein, have the same meanings as are ascribed thereto in the PPSA;

"**Principal Sum**" means Cdn. $3,000,000 or such lesser principal amount as is owing under this Debenture from time to time;

"**Realization Event**" means the Principal Sum and all accrued interest thereon and other Obligations becoming immediately due and payable to the Holder pursuant to Section 9.2;

"**Receiver**" means any receiver, manager, or receiver and manager of the Collateral or any part thereof or the business and undertaking of the Corporation, or any part thereof, whether appointed by the Holder under this Debenture or by a court pursuant to Applicable Law and any nominee of the Holder or any other Person that is appointed by the Holder to exercise all or any of the powers, rights, benefits and discretion of the Holder under the Debenture;

"**Receiver's Certificates**" has the meaning provided in Section 8.7(c);

"**Release**" means any material release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, leeching or migration of any element or compound in or into the indoor or outdoor environment (including the abandonment or disposal of any barrels, tanks, containers or receptacles containing any contaminant), or in, into or out of any vessel or facility, including the movement of any contaminant through the air, soil, subsoil, surface, water, groundwater, rock formation or otherwise;

"**Renewal Rate**" has the meaning ascribed thereto in Section 2.7;

"**Securities Commissions**" means, collectively, the securities commissions or similar regulatory authorities in the Provinces of Canada in which the Corporation is or becomes a "reporting issuer" or similar status;

"**Secured Debentureholders**" means the holders of the outstanding Secured Debentures;

"**Secured Debentures**" means the outstanding 14% series A subordinated secured convertible debentures of the Corporation;

"**securities**" has the meaning ascribed thereto in the *Securities Act* (Alberta);

"**Security Interest**" means any assignment, mortgage, charge, pledge, lien, hypothec, encumbrance, security interest or insurance securing or in effect securing any obligation, conditional sale or title retention agreement, contractual deposit, trust deposit, escrow arrangement or other preferential arrangement whatsoever, howsoever created or arising, whether absolute or contingent, fixed or floating, legal or equitable, perfected or not, and includes the rights of a lessor pursuant to an operating lease, capitalized lease or sale-leaseback arrangement, any right of set-off and any guarantees or indemnities;

"**Senior Debt**" means Financial Indebtedness of the Corporation to a Senior Lender;

"**Senior Debt Default**" means any default (other than a default arising in connection with or as a result of the working capital ratio of the Corporation until such time as the Corporation first satisfies such working capital ratio and other than a default arising in connection with or as a result of the debt service coverage ratio of the Corporation as at March 31, 2010) under an agreement evidencing Senior Debt or the Senior Security;

"**Senior Lender**" means: (a) HSBC Bank Canada and any other Canadian chartered bank or similar financial institution to which the Corporation is liable in respect of Permitted Indebtedness, subject to Section 7.3(a)(ii); and (b) F5, as agent for the Focus Shareholders;

"**Senior Security**" has the meaning ascribed thereto in Section 8.1;

"**Subordinated Security**" has the meaning ascribed thereto in Section 8.1;

"**Subsidiaries** means, collectively, Enseco Partnership Management Corp., Swab Services Ltd., Enseco Wireline Corp., Enseco Energy USA Services Corp., 1104291 Alberta Ltd., 11139564 Alberta Ltd., Focus Directional Services Inc., Focus Downhole Tools Inc. and Enseco Energy Services Partnership, currently the only subsidiaries of the Corporation, and includes and other "Subsidiary" of the Corporation within the meaning of the ABCA from time to time and "**Subsidiary**" means any one of them;

"**Successor Corporation**" has the meaning ascribed thereto in Section 12.1;

"**Swaps**" means any transaction which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross currency rate swap transaction, currency option, forward sale, exchange traded futures contract or any other similar transaction (including any option with respect to any of these transactions or any combination of these transactions);

"**Tax**" means all present and future taxes, rates, levies, imposts, assessments, dues, government fees, stamp taxes, deductions, charges or withholdings, and all indebtedness with respect thereto, and any interest, additions to tax and penalties imposed with respect thereto, excluding, with respect to the Holder, taxes imposed on the Holder's income or capital and franchise taxes imposed on the Holder by any taxation authority;

"**Total Asset Sale Offer Price**" has the meaning provided in Section 5.5(b)(i);

"**Total Offer Price**" has the meaning provided in Section 5.1(a) or Section 5.5(b)(i), as applicable;

"**Trading Day**" means, with respect to a stock exchange, a day on which such exchange is open for the transaction of business and with respect to the over-the-counter market means a day on which the Toronto Stock Exchange is open for the transaction of business;

"**TSXV**" means the TSX Venture Exchange;

"**U.S. Dollars**" and the symbol "U.S. $" each means lawful money of the United States of America;

"**U.S. Securities Act**" means the United States *Securities Act of 1933*, as amended;

"**Underwriting Agreement**" means the agreement dated effective January 25, 2010 among Desjardins Securities Inc., FirstEnergy Capital Corp., Wellington West Capital Markets Inc., Acumen Capital Finance Partners Limited and the Corporation;

"**United States**" and "**U.S. Person**" have the meaning given to such terms under Regulation S of the U.S. Securities Act. For purposes of Regulation S, "United States" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia. "U.S. Person" includes, with certain exceptions, any partnership or corporation organized or incorporated under the laws of the United States;

"**Unlimited Company**" has the meaning set forth in Section 3.4 of this Debenture;

"**Unlimited Liability Shares**" has the meaning set forth in Section 3.4 of this Debenture;

"**Weighted Average Price**" means with respect to a share, the aggregate sale price of all shares of a particular class sold on an exchange or market, as the case may be, divided by the total number of shares of that class so sold or traded, during a stated period of time; and

"**written consent of the Corporation**" and "**certificate of the Corporation**" mean, respectively, a written consent and certificate signed in the name of the Corporation by the Corporation's President, Chief Financial Officer, Chief Operating Officer or a Vice-President, and may consist of one or more instruments so executed.

1.2 Headings, Etc.

The division of this Debenture into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Debenture.

1.3 Day Not A Business Day

Subject to Section 2.6, in the event that any action is required to be taken hereunder on a day that is not a Business Day, then such action shall be required to be taken on the next succeeding day that is a Business Day.

1.4 Monetary References

Whenever an amount of money is referred to herein, such amount shall, unless otherwise expressly stated, be in Canadian Dollars.

1.5 Consents and Approvals

It shall be a condition hereof that any consent or approval of the Holder required hereby shall be obtained in writing prior to the event for which it is required.

1.6 Expanded Meanings

Unless the context otherwise necessarily requires, the following provisions shall govern the interpretation of this Debenture:

(a) words used herein importing the singular number only shall include the plural and vice versa, and words importing the use of any gender shall include all genders;

(b) all references to Sections, Articles, Schedules and Appendices are to Sections, Articles, Schedules and Appendices to this Debenture;

(c) references herein to any agreement or instrument shall be deemed to be references to the agreement or instrument as varied, amended, modified, supplemented, restated or replaced from time to time, and any specific references herein to any enactment, regulation, order, ruling or decision shall be deemed to be references to such enactment, regulation, order, ruling or decision as the same may be re-enacted, varied, amended, modified, supplemented or replaced from time to time; and

(d) "this Debenture", "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions refer to the $3,000,000 Subordinated Secured Convertible Debenture due February 17, 2011, to which this Schedule is attached, and not to any particular Article, Section, subsection, paragraph, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto and every debenture issued in replacement hereof.

1.7 Interpretation of "Outstanding"

This Debenture shall be deemed to be Outstanding until the later of the date on which:

(a) moneys for the payment of the Principal Sum, interest and all other amounts owing to the Holder hereunder shall have been fully, finally and indefeasibly paid to the Holder; and

(b) the Obligations shall have been duly performed as herein contemplated, or otherwise discharged to the satisfaction of the Holder.

1.8 Generally Accepted Accounting Principles

All financial statements required to be furnished by the Corporation to the Holder hereunder shall be prepared in accordance with GAAP. Each accounting term used in this Debenture, unless otherwise defined herein, has the meaning assigned to it under GAAP. Reference to any balance sheet item, statement of income and retained earnings item or statement of cash flows or changes in cash position item means such item as computed from the applicable financial statement prepared in accordance with GAAP.

1.9 Interpretation of PPSA Expressions

To the extent an expression used herein is a defined term under the Alberta PPSA, and no similar expression or defined term exists under the PPSA of another jurisdiction, this Debenture shall be deemed to refer to the expression or defined term under the PPSA of such other jurisdiction, which corresponds in purpose and intent to the expression under the Alberta PPSA. All terms, covenants, provisions and conditions herein incorporating any reference to the PPSA shall be read as references to the PPSA in force in the jurisdiction in which the Collateral is from time to time situated.

1.10 Appendices

The following are the Appendices annexed to and incorporated in this Debenture by reference to their respective numbers as given below and which are deemed to be part hereof:

Appendix 1 – Permitted Encumbrances.

ARTICLE 2
INTEREST AND PAYMENTS, EXTENSION OF MATURITY DATE

2.1 Interest on Principal Sum

The Corporation shall pay interest in Canadian Dollars to the Holder on the Principal Sum at a per annum rate of interest equal to the Interest Rate. Such interest is payable in arrears on each Interest Payment Date for the Interest Period which includes such Interest Payment Date, and shall be calculated on a daily basis and on the basis of the actual number of days elapsed in a year of 365 or 366 days, as applicable.

2.2 Payment of Interest

The Corporation shall pay Interest, on each Interest Payment Date by causing to be deposited an amount equal to Interest accrued and unpaid to and including such Payment Date in immediately available funds to the Payment Account or by delivery to the Holder of a bank draft or certified cheque for such amount.

2.3 Payment of Overdue Interest

The Corporation shall pay interest on all overdue payments in connection with this Debenture from the date any such payment becomes due or if no date for the payment of the same is expressly provided for herein, when payment of the same is demanded by the Holder and for so long as such amount remains unpaid at a per annum rate of interest which is equal to the Interest Rate. Interest at the Interest Rate on overdue amounts shall be computed daily, compounded monthly and shall be payable both before and after default, maturity, demand and judgment.

2.4 Waiver

To the extent permitted by Applicable Law, any provision of the *Judgment Interest Act* (Alberta) and the *Interest Act* (Canada) which restricts the rate of interest on any judgment debt shall be inapplicable to this Debenture and is hereby waived by the Corporation.

2.5 Interest Generally

The theory of deemed reinvestment shall not apply to the calculation of Interest or payment of fees or other amounts hereunder, notwithstanding anything contained in this Debenture, and all Interest and fees payable by the Corporation to the Holder shall accrue from day to day and be computed as described herein in accordance with the "nominal rate" method of interest calculation.

2.6 Time, Place and Currency of Payment

Payments of the Principal Sum and Interest and all other amounts payable by the Corporation pursuant to this Debenture shall be paid in Canadian Dollars for value at or before 10:00 a.m. (Calgary time) on the day such amount is due. If any such day is not a Business Day such amount shall be deemed for all purposes of this Debenture to be due on the immediately preceding Business Day. All payments shall be made to the Payment Account.

2.7 Extension

On or before December 31, 2010 and if no Default or Event of Default is then existing, the Corporation may elect upon written notice to the Holder to refinance the indebtedness of the Corporation evidenced by this Debenture on the same terms and conditions as herein contained, other than the interest rate to be applicable, for the period from February 17, 2011 to February 17, 2012 (the "**Extension Term**"), which shall be twelve per cent (12.0%) per annum (the "**Renewal Rate**"), and upon such election, the Maturity Date shall be extended to February 17, 2012 and the interest rate applicable to the Debenture for the Extension Term shall be adjusted to the Renewal Rate. If the Maturity Date is to be so extended, the Corporation and the Holder shall make arrangements to exchange the Debenture for a replacement Debenture bearing the new Maturity Date and Renewal Rate.

2.8 Default Rate

(a) To the extent permitted by applicable law after the occurrence and during the continuance of any Event of Default or any Senior Debt Default, and upon receipt of notice by the Corporation from the Holder, interest payable hereunder shall accrue at a rate equal to the Interest Rate then in effect hereunder plus an additional 3% per annum from the date of the occurrence and continuance of such Event of Default or Senior Debt Default, as applicable, until such Event of Default has been remedied by the Corporation or waived by the Holder, or such Senior Debt Default has been remedied by the Corporation or waived by the applicable Senior Lender.

(b) To the extent permitted by applicable law, after the occurrence and during the continuance of an Interest Payment Restriction Event, and upon receipt of notice by the Corporation from the Holder, interest payable hereunder shall accrue at a rate equal to 20% per annum from the date of the occurrence and continuance of such Interest Payment Restriction Event until such Interest Payment Restriction Event has been remedied by the Corporation or waived by the Holder.

ARTICLE 3
SECURITY

3.1 Security

To secure the payment, performance and final and indefeasible satisfaction in full of each and every Obligation, the Corporation hereby (subject to the exceptions contained in Sections 3.3 and 3.6):

(a) assigns, transfers, mortgages, pledges and charges in favour of the Holder and grants to and in favour of the Holder a continuing security interest in and to all of the Corporation's present and after-acquired personal property; and

(b) assigns, transfers, mortgages, pledges and charges as and by way of a floating charge to and in favour of the Holder and grants to and in favour of the Holder a continuing Security Interest in and to all of the undertaking and all the property and assets, rights and things of the Corporation both present and future, legal or equitable, of which the Corporation may be possessed or to which the Corporation may be entitled or which may hereafter be acquired by the Corporation, including all the Corporation's right, title, estate and interest in and to any and all real, personal or mixed property, now owned or hereafter acquired by the Corporation and all the Corporation's present and future revenues, incomes, moneys, rights, franchises, goods, wares, merchandise, inventories, materials, supplies, book debts, accounts and accounts receivable, negotiable and non-negotiable instruments, judgments, securities, chooses in action, chattel paper, shares and investments, and all other property and things of value of every kind and nature, tangible or intangible, legal or equitable and all proceeds and all products of, and all accessions to, any of the foregoing;

TO HAVE AND TO HOLD the Collateral and all rights hereby conferred unto the Holder.

3.2 Attachment

The Corporation acknowledges conclusively that the Corporation and the Holder intend the Charge in the Collateral to attach immediately upon the execution of this Debenture, except in the case of Collateral in which the Corporation subsequently acquires rights, in which case the Charge shall attach contemporaneously with the Corporation acquiring rights therein without the need for any further or other deed, act or consideration. The Charge shall be effective and shall attach as of the date hereof whether the monies hereby secured or any part thereof shall become owing by the Corporation before or after or upon the date of execution of this Debenture. The Corporation acknowledges conclusively that value has been given.

3.3 Leases

The last day of any term reserved by any lease, oral or written, or any agreement therefor, now held or hereafter acquired by the Corporation, is hereby excepted out of the Charge and does not and shall not form part of the Collateral, but the Corporation shall stand possessed of the reversion remaining in the Corporation of any leasehold premises for the time being demised as aforesaid upon trust to assign and dispose thereof as the Holder shall direct and upon any sale of the leasehold premises, or any part thereof, the Holder, for the purpose of vesting the aforesaid reversion of any such term or any renewal thereof in any purchaser or purchasers thereof, shall be entitled by deed or writing to appoint such purchaser or purchasers or any other Person or Persons as trustee or trustees of the aforesaid reversion of any such term or any renewal thereof in the place of the Corporation and to vest same accordingly in the new trustee or trustees so appointed freed and discharged from any obligation respecting same.

3.4 Unlimited Liability Shares

Notwithstanding any other provision in this Debenture, to the extent that any shares (the "**Unlimited Liability Shares**") in an unlimited liability company formed under the laws of the Province of Alberta (a "**Unlimited Company**") constitute Collateral, unless the Holder otherwise approves, the Holder shall not become or be deemed to become a member or shareholder, or obtain or have the right to obtain any other indicia of ownership of any Unlimited Company, and no provision in this Debenture (except this Section 3.4) or actions taken by any Holder pursuant to this Debenture which might provide or be deemed to provide otherwise, in whole or in part, shall, without the express written consent of such Holder, apply in respect of Unlimited Liability Shares. For the avoidance of doubt, and except as otherwise provided in the last sentence of this Section 3.4 and except with the approval of the Holder, no provision of this Debenture or actions taken by such Holder pursuant to this Debenture shall apply or be deemed to apply so as to cause the Holder to be, and the Holder shall not be or be deemed to be, or entitled to:

(a) be registered as a shareholder or member, or apply to be registered as a shareholder or member, of any Unlimited Company;

(b) request or assent to a notation being entered in the Holder's favour in the share register in respect of Unlimited Liability Shares;

(c) hold itself out as a shareholder or member of any Unlimited Company; or

(d) act or purport to act as a member of any Unlimited Company, or obtain, exercise or attempt to exercise any rights of a shareholder or member, including the right to attend a meeting of, or to vote any Unlimited Liability Shares or to be entitled to receive any distribution in respect of Unlimited Liability Shares.

The foregoing limitation shall not restrict the Holder from exercising the rights which the Holder is entitled to exercise hereunder in respect of any Unlimited Liability Shares constituting Collateral at any time that the Holder shall be entitled to realize on all or any portion of the Collateral.

3.5 Investment Property and Securities

Subject to the Inter-Lender Agreements, if the Collateral at anytime includes investment property which is or is to be credited to a securities account established by the Corporation with a securities intermediary, the Corporation shall notify the Holder and, at the request of the Holder, shall procure that the relevant securities intermediary shall enter into an agreement with the Holder which includes such terms as may be required by the Holder to ensure that the Holder has exclusive control over all investment property held in the relevant securities account following the occurrence of an Event of Default that is continuing including, but not limited to, an agreement of the securities intermediary that it will comply with entitlement orders that are originated by the Holder without the further consent of the Corporation. Subject to the Inter-Lender Agreements, if the Collateral at any time includes securities for which a certificate is or may be issued to the Corporation, the Corporation will deliver the certificates representing the same to the Holder together with stock powers of attorney in form sufficient for such securities to be transferred on the books of the issue thereof. The Corporation authorizes the Holder to transfer the same or any part thereof into its own name or that of its nominee(s) so that the Holder or its nominee(s) may appear on record as the sole owner thereof, provided that, until an Event of Default that is continuing, the Holder shall deliver promptly to the Corporation all notices or other communications received by the Holder or its nominee(s) as such registered owner and, upon demand and receipt of payment of any necessary expenses thereof, shall issue to the Corporation or the Corporation's order a proxy to vote and take all action with respect to such securities. After an Event of Default that is continuing, the Corporation waives all rights to receive any notices or communications received by the Holder or its nominee(s) as such registered owner and agrees that no proxy issued by the Holder to the Corporation or the Corporation's order aforesaid shall thereafter be effective.

3.6 Contractual Rights

In the event the validity and effectiveness of the Charge over any of the Collateral requires the consent, approval or waiver of a third Person in order to be effective as against such third Person, the Charge with respect to any such Collateral shall be effective as against the Corporation and all Persons other than such third Person and shall be effective as against such third Person when the applicable consent, approval or waiver is obtained, retroactively, to the fullest extent legally possible, to the later of the date hereof or the date such consent, approval or waiver is obtained or becomes effective, as applicable, and until such consent, approval or waiver is obtained, the Corporation shall (subject to the other terms hereof) stand possessed of such Collateral upon trust to assign and dispose thereof as the Holder shall for such purposes direct.

3.7 Permitted Activities

Until an Event of Default occurs, the Corporation shall be entitled to:

(a) Subject to Section 5.5, sell, assign, dispose of, abandon and otherwise deal with the Collateral or any part thereof in the ordinary course of business; and

(b) retain full possession of the Collateral and operate, manage, develop, and enjoy the same and every part thereof in the ordinary course of business.

3.8 Liability of Holder

Neither the Holder nor any Receiver shall (i) be responsible or liable for any debts contracted by the Holder or such Receiver, for damages to Persons or property, for salaries or for non-fulfilment of contracts during any period when the Holder or any Receiver shall manage or be in possession of the Collateral; (ii) be liable to account as mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any default or omission for which a mortgagee in possession may be liable; (iii) be bound to do, observe or perform or to see to the observance or performance by the Corporation of any obligations or covenants imposed upon the Corporation; or (iv) in the case of any chattel paper, investment property, security or instrument, be obligated to preserve rights against any other Persons. The Corporation hereby waives any provision of Applicable Law permitted to be waived by the Holder or such Receiver which imposes higher or greater obligations upon the Holder or such Receiver than aforesaid.

3.9 Mandatory Provisions of Applicable Law

Subject to Section 3.10, all rights, remedies, and powers provided herein may be exercised only to the extent that the exercise thereof does not violate any mandatory provision of Applicable Law and all the provisions of this Debenture are intended to be subject to all mandatory provisions of Applicable Law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Debenture invalid, unenforceable or not entitled to be recorded, registered or filed under any mandatory provisions of Applicable Law. Subject to Section 3.10, if any mandatory provision of Applicable Law shall provide for different or additional requirements than or to those specified herein as prerequisites to or incidental to the realization, sale or foreclosure of the Charge or any part thereof, then, to that extent, such laws shall be deemed to have been set forth herein at length, and any conflicting provisions hereof shall be disregarded, and the method of realization, sale or foreclosure of the Charge required by any such laws shall, insofar as may be necessary, be substituted herein as the method of realization, sale or foreclosure in lieu of that set forth above. Any provision hereof contrary to mandatory provisions of Applicable Law shall be deemed to be ineffective and shall be severable from and not invalidate any other provision of this Debenture.

3.10 Waivers of Applicable Laws

(a) To the extent not prohibited by Applicable Law, the Corporation hereby waives the Corporation's rights, if any, under all provisions of Applicable Law that would in any manner, limit, restrict or otherwise affect the Holder's rights and remedies hereunder or impose any additional obligations on the Holder. The Corporation waives the right to receive any financing statement or any verification statement issued by any registry that confirms registration of a financing statement relating to this Debenture.

(b) The Corporation hereby authorizes the Holder to provide information to any person who requests information under Section 18 of the PPSA or similar legislation and the Holder will not be required to investigate whether or not the inquiring person is in fact a person entitled to request information pursuant to Section 18 of the PPSA or similar legislation.

(c) To the full extent that the Corporation may lawfully do so, the Corporation hereby:

(i) waives and disclaims any benefit of, and shall not have or assert any right under any statute or rule of law pertaining to, the marshalling of assets or any other matter whatever, to defeat, reduce or affect the rights of the Holder under the terms of this Debenture to a sale of the Collateral or any part thereof or for the collection of all amounts secured hereby;

(ii) agrees that the Corporation shall not have or assert any right or equity of redemption or any right under any statute or otherwise to redeem the Collateral or any part thereof after the sale hereunder to any person whether such sale is by the Holder, any Receiver or otherwise notwithstanding that the Holder may have purchased same;

(iii) agrees that the *Land Contracts (Actions) Act* (Saskatchewan) shall have no application to any action (as defined in such Act) with respect to the Charge; and

(iv) agrees that the *Limitation of Civil Rights Act* (Saskatchewan) shall have no application to:

(A) this Debenture or any instrument or agreement in implementation hereof;

(B) any Security Interest or security for the payment of money made, given or created pursuant to this Debenture or such instruments or agreements;

(C) any agreement or instrument entered into at any time hereafter by the Corporation renewing or extending or collateral to this Debenture; or

(D) the rights, powers or remedies of the Holder or any Receiver under any of the foregoing agreements or instruments.

(d) The Corporation agrees that any payments from insurance monies shall be applied in the manner set out in Section 9.9.

3.11 Composite Mortgage

This Debenture is a composite mortgage and security agreement covering the Collateral of the Corporation located in various jurisdictions and, as to portions of the Collateral located in such separate jurisdictions, this Debenture shall be a separate mortgage and security agreement enforceable against the Corporation without regard to the application of this Debenture to portions of the Collateral located in other jurisdictions. All provisions hereof shall be applicable separately to the portions of the Collateral located in each separate jurisdiction with the same effect as if a separate mortgage and security agreement with respect thereto had been executed and delivered by the Corporation to the Holder. Upon the reasonable request of the Holder, the Corporation shall prepare, execute and deliver, at the Corporation's expense, a separate mortgage and security agreement covering the portion of the Collateral located in any such jurisdiction or jurisdictions, such separate mortgage and security agreement to be substantially in the form hereof except for such modifications as shall be required by the fact that such mortgage and security agreement relates only to the property of the Corporation located in such jurisdiction or jurisdictions or as may be required by the Holder in connection therewith.

3.12 British Columbia Floating Charges

For greater certainty, it is hereby confirmed that the floating charge created hereby is a floating charge within the meaning of Section 203 of the *Land Title Act* (British Columbia) and does not become a fixed charge on specific land until the earlier of the occurrence of an Event of Default or until the Holder has made demand for payment of the Obligations.

3.13 Further Assurances

The Corporation hereby covenants and agrees that the Corporation will at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, mortgages, transfers, assignments and assurances as the Holder may reasonably require for the better accomplishing and effectuating the purpose of this Debenture, including the execution and delivery of indentures supplemental hereto more particularly describing the Collateral or to correct or amplify the description of the Collateral or to better assure, convey and confirm unto the Holder any of the Collateral. Upon the execution of any supplemental indenture under this Section, this Debenture shall be modified in accordance therewith, and each such supplemental indenture shall form part of this Debenture for all purposes.

3.14 Registration

The Corporation will assist the Holder to ensure that this Debenture and all such supplementary and corrective instruments and all additional mortgage and security documents described in Section 3.11 or 3.13 and all documents, caveats, security notices and financing statements in respect thereof, are promptly filed and re-filed, registered and re-registered and deposited and re-deposited, in such manner, in such offices and places, and at such times and as often as may be required by Applicable Law or as may be necessary or desirable to perfect and preserve the Charge and the rights conferred or intended to be conferred upon the Holder by the Charge; provided that until the occurrence of an Event of Default the Corporation shall not, and the Holder will not, register this Debenture as a fixed charge against the Corporation or its property pursuant to the *Land Titles Act* (Alberta), the *Mines and Minerals Act* (Alberta) or similar federal or provincial legislation.

3.15 Discharge

Upon the full, final and indefeasible payment and performance of the Obligations, this Debenture and the rights hereby granted shall, at the request of the Corporation, be terminated and thereupon the Holder shall at the request and at the expense of the Corporation cancel and discharge the Charge and execute and deliver to the Corporation such deeds and other instruments as shall be requisite to cancel and discharge the Charge. Further, this Debenture shall continue to be effective or be reinstated, as the case may be, if for any reason at any time any payment or performance of the Obligations, or any part thereof, is rescinded, reversed, nullified, rendered void or voidable or must otherwise be restored, refunded, returned or reimbursed by the Holder.

3.16 Partial Discharge

No postponement or partial release or discharge of the Charge in respect of all or any part of the Collateral shall in any way operate or be construed so as to release and discharge the Charge except as therein specifically provided, or so as to release or discharge the Corporation from the Corporation's liability to the Holder to fully pay and satisfy the Obligations.

3.17 Additional Security

Nothing in this Debenture contained shall detract from or limit the absolute obligation of the Corporation to make payment of this Debenture and of all monies owing hereunder at the time and in the manner provided in this Debenture and to perform or observe any other act or condition which the Corporation is required to perform or observe hereunder whether or not the Charge is operative, and the rights under this Debenture shall be in addition to and not in substitution for any other Security Interests of any and every character now or hereafter held by the Holder for the Obligations.

3.18 Third Parties

No Person dealing with the Holder, any Receiver or either of their respective agents shall be concerned to inquire whether the Charge (or any part thereof) has become enforceable, or whether the powers which the Holder or any Receiver is purporting to exercise have become exercisable, or whether any of the Obligations remain outstanding or as to the necessity or expediency of the stipulations and conditions subject to which any sale shall be made, or otherwise as to the propriety or regularity of any sale or of any other dealing by the Holder with the Collateral or any part thereof or to see to the application of any money paid to the Holder, and, in the absence of fraud on the part of such Person, such dealings shall be deemed, as regards the safety and protection of such Person, to be within the powers hereby conferred upon the Holder and to be valid and effective accordingly.

ARTICLE 4
EXERCISE OF CONVERSION RIGHT

4.1 Conversion Right

(a) Upon and subject to the terms and conditions of this Article 4 and Article 6:

(i) the Holder shall have the right, at the Holder's option, at any time and from time to time while the obligations hereunder are outstanding, to convert the Principal Sum, in whole or in whole multiples of $1,000, into fully paid and non-assessable Common Shares at the Conversion Price in effect on the Conversion Date; and

(ii) the Corporation shall have the right, at the Corporation's option, at any time and from time to time while the obligations hereunder are outstanding and upon 10 Business Days notice, to request that the Holder convert the Principal Sum, in whole or in whole multiples of $1,000, into fully paid and non-assessable Common Shares at the Conversion Price in effect on the Conversion Date; provided that upon such notice, the Holder shall have the option, exercisable within 10 Business Days or receipt of such notice to accept or reject such request.

(b) The Conversion Right shall entitle the Holder to receive (i) the number of Common Shares equal to the quotient of the Principal Sum being converted divided by the then-effective Conversion Price; and (ii) payment of all accrued and unpaid Interest to and including the Conversion Date on the Principal Sum so converted and any other amount then payable by the Corporation to the Holder under this Debenture up to and including the Conversion Date.

(c) The Holder may exercise the Conversion Right by surrendering to the Corporation during the Conversion Period this Debenture with a duly completed and executed exercise notice, specifying the following:

(i) the Principal Sum in respect of which the Conversion Right is being exercised by the Holder;

(ii) the number of Common Shares which the Holder wishes to acquire (being not more than those which the Holder is entitled to acquire);

(iii) the Person or Persons in whose name or names such Common Shares are to be issued and the address of such Persons which are to appear on the share register of the Corporation and the number of Common Shares to be issued to each such Person; and

(iv) the address where the new Debenture, if any, representing the unconverted portion of this Debenture is to be sent.

(d) The Corporation may exercise the Conversion Right, subject to Section 4.1(a)(ii), by delivering a notice to the Holder specifying the following:

(i) the Principal Sum in respect of which the Conversion Right is being exercised by the Corporation;

(ii) the number of Common Shares which the Holder will acquire as a result of the exercise of the Conversion Right by the Corporation (being not more than those which the Holder is entitled to acquire); and

(iii) a certificate executed by a senior officer confirming that the Corporation is entitled to make an offer for the conversion of this Debenture in accordance with Section 4.1(a)(ii).

4.2 Effect of Exercise of Conversion Right

(a) Upon the exercise of the Conversion Right pursuant to Section 4.1, the Shares subscribed for shall be deemed to have been issued on the Conversion Date and the Holder (or such other Person identified to the Corporation as the holder of such Common Shares, as contemplated by Section 4.1(c)(iii)) shall be deemed to have become the Holder of record of such Shares on the Conversion Date unless the transfer registers of the Corporation shall be closed on such date (including by application of any Applicable Law), in which case the Shares subscribed for shall be deemed to have been issued and the Holder (or such other Person identified to the Corporation as the holder of such Shares, as contemplated by Section 4.1(c)(iii)) shall be deemed to have become the holder of record of such Shares, on the date on which such transfer registers are first reopened.

(b) Within 3 Business Days after the Conversion Date, the Corporation shall cause to be delivered to the Holder (or such other Person identified to the Corporation as the holder of such Shares, as contemplated by Section 4.1(c)(iii)), a share certificate for the appropriate number of Shares to be issued by the Corporation upon the exercise of such Conversion Right together with payment of all accrued and unpaid Interest to and including the Conversion Date on the Principal Sum so converted and any other amount then payable by the Corporation to the Holder under this Debenture up to and including the Conversion Date; provided that the Holder simultaneously surrenders this Debenture for cancellation, in whole or in part, as applicable.

4.3 Partial Exercise of Conversion Right; Fractions

(a) The Holder may elect to convert, and the Corporation may elect to request the conversion of, less than the whole Principal Sum (in whole multiples of $1,000), in which case the Holder upon such exercise shall, in addition, be entitled to receive, without charge therefor, a new Debenture in respect of the balance of the Principal Sum which is not converted.

(b) Notwithstanding anything herein contained including any adjustment provided for in Article 6, the Corporation shall not be required, upon the exercise of the Conversion Right, to issue fractions of Shares or to distribute certificates which evidence fractional Shares. In lieu of fractional Shares, the Corporation shall pay to the Holder within 3 Business Days after the date upon which the fractional Shares would otherwise have been deemed to have been issued pursuant to Section 4.2, an amount in Canadian Dollars equal to the Current Market Price of the Shares on such date multiplied by an amount equal to the fractional interest of Shares the Holder would otherwise have been 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.

4.4 Cancellation and Destruction of Debenture

Any portion of this Debenture converted under this Article 4 shall forthwith be cancelled by the Corporation and no Debenture shall be issued in substitution for the portion so cancelled.

4.5 Securities Restrictions

Notwithstanding anything herein contained, Shares will only be issued pursuant to the Conversion Right in compliance with Applicable Securities Laws, and without limiting the generality of the foregoing, the certificates representing the Shares to be issued upon the exercise of the Conversion Right will bear such legend as may, in the opinion of Counsel to the Corporation, be required under Applicable Securities Laws, provided that if, at any time, such legends are no longer necessary in order to avoid a violation of any such laws, and the holder of any such legended certificates provides the Corporation with evidence satisfactory in form and substance to the Corporation to the effect that such holder is entitled to sell or otherwise transfer such Shares in a transaction in which such legends are not required, such legended certificates may thereafter be surrendered to the Corporation in exchange for certificates which do not bear such legend.

4.6 Holder not a Shareholder

Nothing in this Debenture shall, in itself, confer or be construed as conferring upon the Holder any right or interest whatsoever as a shareholder of the Corporation prior to the Conversion Date, 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 from the Corporation in respect of Shares.

4.7 Charges for Exchange or Transfer

The Corporation will from time to time promptly pay or make provision satisfactory to the Holder for the payment of any and all Taxes which may be imposed by Applicable Law with respect to the issuance or delivery of the Shares to the Holder, upon the exercise of the Conversion Right.

ARTICLE 5
PURCHASE AND REPAYMENT BY THE CORPORATION

5.1 Offer to Purchase on Change of Control

Upon the occurrence of a Change of Control, and subject to the provisions and conditions of this Section 5.1, the Corporation shall be obligated to offer to purchase this Debenture. The terms and conditions of such obligation are set forth below:

(a) Within 10 Business Days following the occurrence of a Change of Control, the Corporation shall deliver to the Holder a notice stating that there has been a Change of Control and specifying the circumstances surrounding such event (a "**Change of Control Notice**") together with an offer in writing (the "**Change of Control Offer**") to purchase this Debenture made in accordance with the requirements of Applicable Securities Laws (provided that, for greater certainty, the Corporation shall use its commercially reasonable efforts to obtain all requisite regulatory consents and to comply with Applicable Securities Laws in connection with the receiving and completion of such Change of Control Offer) at a price equal to the Principal Sum (the "**Offer Price**") plus accrued and unpaid interest on this Debenture up to, but excluding, the date of acquisition by the Corporation of this Debenture (collectively, the "**Total Offer Price**"), which Change of Control Offer must be open for not less than 5 Business Days (or such lesser period as may be agreed to by the Holder).

(b) If the Holder has accepted the Change of Control Offer, this Debenture shall become due and payable at the Total Offer Price on the date of expiry of the Change of Control Offer, in the same manner and with the same effect as if it were the date of maturity specified in this Debenture, anything therein or herein to the contrary notwithstanding, and from and after such date of expiry of the Change of Control Offer, if the Corporation has paid or caused to be paid to the Holder the Total Offer Price, interest on the Debentures shall cease.

(c) If the Holder has accepted the Change of Control Offer, but the Holder shall fail on or before the date of expiry of the Change of Control Offer to surrender this Debenture or shall not within such time accept the full payment of the Total Offer Price, or give a receipt therefor, if any, money in an amount equal to the Total Offer Price may be set aside in trust in an account at a Canadian chartered bank listed in Schedule I to the *Bank Act* (Canada), and such setting aside shall for all purposes be deemed a payment to the Holder of the sum so set aside and the Holder shall have no other right except to receive payment of the moneys so paid and deposited, upon surrender and delivery up of this Debenture.

(d) If this Debenture is purchased under this Section 5.1, it shall be cancelled and no Debenture shall be issued in substitution therefor.

(e) The Corporation's obligation to make a Change of Control Offer will be satisfied if a third party makes the Change of Control Offer in the manner and at the times and otherwise in compliance with the requirements applicable to a Change of Control Offer to be made by the Corporation and purchases the Debenture for the Total Offer Price under the Change of Control Offer.

5.2 Purchase by the Corporation

(a) Subject to Section 5.2(b), the Corporation may, at any time and from time to time, at the Corporation's option, purchase this Debenture for cancellation in the market (which shall include purchases from or through an investment dealer or a firm holding membership on a recognized stock exchange) or by tender or by private contract, at any price agreed to by the Holder.

(b) The Corporation may not purchase this Debenture by private contract if an Event of Default has occurred and is continuing.

5.3 Repayment at the Maturity Date

The Corporation shall repay the Principal Sum in full, together with all accrued and unpaid Interest then outstanding hereunder, as well as any and all other Obligations, on the Maturity Date.

5.4 Prepayment

The Corporation may at any time, upon first providing ten (10) days notice to the Holder and subject to the last sentence of this Section 5.4, prepay all or any portion of this Debenture without penalty and in that case the Corporation shall pay any accrued and unpaid Interest on the Debenture to be prepaid to the date of prepayment. The Corporation may, as a condition to the making of the prepayment, require the Holder to surrender this Debenture to the Corporation in exchange for a new Debenture on the same terms as this Debenture but in an amount (to be called the "**Principal Sum**") equal to the Principal Sum before such prepayment was made, less the amount of the prepayment so paid. If this Debenture is prepaid in full under this Section 5.4, it shall be cancelled and no Debenture shall be issued in substitution therefor. The Holder shall have the option during the 10 day period described above, to convert all or any part of the principal Sum in accordance with Section 4.1(a)(i).

5.5 Limitations on Asset Sales

(a) If the Corporation or any Subsidiary engages in an Asset Sale, the Corporation shall apply, no later than 120 days following the consummation thereof, the proceeds therefrom, after deducting the reasonable costs incurred by the Corporation in respect of such sale ("**Net Proceeds**") to: (i) the purchase of assets to be used by the Corporation in its existing oil field service business; (ii) to repay outstanding Indebtedness to the Bank; and/or (iii) make an Asset Sale Offer in accordance with Section 5.5(b) below. The amount of net proceeds from an Asset Sale not invested or applied as provided in clauses (i) and (ii) of this Section 5.5(a) is called "**Excess Proceeds**".

(b) If the Corporation or any Subsidiary thereof engages in an Asset Sale, which, together with all other Asset Sales since the issuance of this Debenture, exceeds 50% of the Fair Market Value of the Corporation's consolidated assets prior to giving effect to such Asset Sale, the Corporation shall make an offer to repay a portion of the Principal Sum in an amount equal to 100% of the Excess Proceeds as follows:

(i) Within 10 days prior to the completion of such Asset Sale, the Corporation shall deliver to the Holder an offer in writing, conditional only upon completion of such Asset Sale (the "**Asset Sale Offer**") to purchase a portion of the Principal Sum in accordance with requirements of any Applicable Securities Laws (provided that, for greater certainty, the Corporation shall use the Corporation's commercially reasonable best efforts to obtain all requisite regulatory consents and to comply with all Applicable Securities Laws in connection with the making and completion of such Asset Sale Offer) at a price equal to 100% of the Excess Proceeds (the "**Asset Sale Offer Price**") plus accrued and unpaid interest on this Debenture up to, but excluding, the date of payment of the Asset Sale Offer Price to the Holder (collectively, the "**Total Asset Sale Offer Price**"), which Asset Sale Offer must be open for not less than 5 days (or such lesser period as may be agreed to by the Holder).

(ii) If the Holder has accepted the Asset Sale Offer, an amount of the Principal Sum equal to the Asset Sale Offer Price shall become due and payable at the Asset Sale Offer Price on the date of expiry of the Asset Sale Offer, in the same manner and with the same effect as if it were the Maturity Date specified in this Debenture, anything therein or herein to the contrary notwithstanding, and from and after such date of expiry of the Asset Sale Offer, if the Corporation has paid or caused to be paid to the Holder the Total Asset Sale Offer Price on the date of expiry of the Asset Sale Offer, interest on the amount of the Principal Sum equal to the Asset Sale Offer Price shall cease unless the Corporation shall fail to pay the Total Asset Sale Offer Price on such date, in which event interest will continue to accrue and be payable in accordance with the terms hereof until paid..

(iii) If the Holder has accepted the Asset Sale Offer, but the Holder shall fail on or before the date of expiry of the Asset Sale Offer to surrender this Debenture or shall not within such time accept the full payment of the Total Asset Sale Offer Price, or agree to a reduction of the principal amount thereof based on the amount of the Net Proceeds applied against the Principal Sum, or give a receipt therefor, if any, money in an amount equal to the Total Asset Sale Offer Price may be set aside in trust in an account at a Canadian chartered bank listed in Schedule I to the *Bank Act* (Canada), and such setting aside shall for all purposes be deemed a payment to the Holder of the sum so set aside and the Holder shall have no other right except to receive payment of the moneys so paid and deposited, upon surrender and delivery up of this Debenture.

(iv) If the Holder accepts the Asset Sale Offer pursuant to this Section 5.5, the Corporation may, as a condition to the making payment of the Total Asset Sale Offer Price, require the Holder to deliver this Debenture to the Corporation so that the Asset Sale Offer Price may be noted upon this Debenture, or to surrender this Debenture to the Corporation in exchange for a new Debenture on the same terms as this Debenture but in an amount (to be called the "Principal Sum") equal to the Principal Sum before such payment was made, less the amount of the Asset Sale Offer Price so paid.

ARTICLE 6
ADJUSTMENT ON CONVERSION PRICE

6.1 Adjustment of Conversion Price

The Conversion Price in effect at any date shall be subject to adjustment from time to time as follows:

(a) if and whenever at any time during the Adjustment Period, the Corporation shall:

(i) subdivide, re-divide or change the Corporation's outstanding Common Shares into a greater number of shares; or

(ii) reduce, combine or consolidate the Corporation's outstanding Common Shares into a smaller number of shares; or

(iii) distribute Common Shares or rights to acquire Common Shares for nominal consideration to the holders of all or substantially all of the outstanding Common Shares;

the Conversion Price in effect on the effective date of such subdivision, re-division, change, reduction, combination, consolidation or distribution, as the case may be, shall in the case of the events referred to in (i) and (iii) above, be decreased in proportion to the number of outstanding Common Shares resulting from such subdivision, re-division, change or distribution, or shall, in the case of the events referred to in (ii) above, be increased in proportion to the number of outstanding Common Shares resulting from such reduction, combination or consolidation in each such case by multiplying the Conversion Price in effect on such effective date by a fraction of which the numerator shall be the total number of Common Shares outstanding immediately prior to such date and the denominator shall be the total number of Common Shares outstanding immediately after such date. Such adjustment shall be made successively whenever any event referred to in this Section 6.1(a) shall occur;

(b) if and whenever at any time during the Adjustment Period, the Corporation shall fix a record date for the issuance of rights, options or warrants to all or substantially all the holders of the Corporation's outstanding Common Shares entitling them to subscribe for or purchase Common Shares (or securities convertible or exchangeable into, or rights to acquire, Common Shares) at a price per share (or having a conversion or exchange or exercise price per share) less than the Current Market Price of a Common Share on such record date, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the amount determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus that number of Common Shares equal to the number arrived at by dividing the aggregate price of the total number of additional Common Shares offered for subscription or purchase (or the aggregate conversion or exchange price or exercise price of the convertible or exchangeable securities or rights so offered) by the Current Market Price, and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares offered for subscription or purchase or into which the convertible or exchangeable securities or rights so offered are convertible or exchangeable or exercisable; any Common Shares owned by or held for the account of the Corporation or any Subsidiary of the Corporation shall be deemed not to be outstanding for the purpose of any such computation; such adjustment shall be made successively whenever such a record date is fixed; to the extent that any such rights, options or warrants are not exercised prior to the expiration thereof, the Conversion

Price shall be readjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon the number of Common Shares (or securities convertible or exchangeable into or rights to acquire Common Shares) actually issued upon the exercise of such rights, options or warrants, as the case may be;

(c) if and whenever at any time during the Adjustment Period, the Corporation shall fix a record date for the making of a distribution to all or substantially all the holders of the Corporation's outstanding Common Shares of (i) securities of any class, whether of the Corporation or any other corporation, including rights, options or warrants (excluding those referred to in Section 6.1(b)) to subscribe for or purchase Common Shares or other securities convertible into or exchangeable for Common Shares, (ii) evidences of the Corporation's Indebtedness or (iii) assets (including cash) of the Corporation or any Subsidiary, then, in each such case, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date multiplied by the Current Market Price less the fair market value (as determined by the Directors in good faith, which determination shall be conclusive) of such shares, rights, options, warrants, evidences of Indebtedness or assets so distributed, and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by such Current Market Price; and Common Shares owned by or held for the account of the Corporation or any Subsidiary of the Corporation shall be deemed not to be outstanding for the purpose of any such computation; such adjustment shall be made successively whenever such a record date is fixed; to the extent that such distribution is not so made, the Conversion Price shall be readjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon such shares or rights, options or warrants or evidences of Indebtedness or assets actually distributed, as the case may be;

(d) if and whenever at any time during the Adjustment Period, there is a reclassification of the Common Shares or a capital reorganization of the Corporation other than as described in Section 6.1(a) or a merger, amalgamation, consolidation, winding-up, plan of arrangement, reorganization or reconstruction with any Person or any transaction by way of transfer, liquidation, sale, lease, disposition or otherwise whereby all or substantially all of the Corporation's undertaking, property or assets would become the property of any other Person that is approved by the Holder or is not required to be approved by the Holder (any such reclassification or merger, amalgamation, consolidation, winding-up, plan of arrangement, reorganization or reconstruction with any Person or any transaction by way of transfer, liquidation, sale, lease, disposition or otherwise whereby all or substantially all of the Corporation's undertaking, property or assets would become the property of any other Person is herein called a **"Corporate Reorganization"**), the Holder shall, upon the exercise of the Conversion Right, be entitled to receive and shall accept, in lieu of the number of Shares then sought to be acquired by the Holder, the number of Shares or other securities or property of the Corporation or of the Person resulting from such Corporate Reorganization, that the Holder would have been entitled to receive on such Corporate Reorganization if, on the record date or the effective date thereof, as the case may be, the Holder had been the registered holder of the number of Shares sought to be acquired by the Holder and to which the Holder was entitled to acquire upon the exercise of the Conversion Right. If appropriate, to give effect to or to evidence the provisions of this Section 6.1(d), the Corporation, the Corporation's successor, or such purchasing Person, as the case may be, shall, prior to or contemporaneously with any such Corporate Reorganization, enter into an agreement which shall provide for the application of the provisions set forth in this Debenture with respect to the rights and interests thereafter of the Holder including adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 6.1 and which shall apply to successive Corporate Reorganizations to the end that the provisions set forth in this Debenture shall thereafter correspondingly be made applicable with respect to any shares, other securities or property to which the Holder is entitled on the exercise of the Conversion Right;

(e) if and whenever at any time prior during the Adjustment Period, an Interest Payment Restriction Event shall have occurred and shall be continuing for a period of 30 days, then, provided that all applicable regulatory approvals have been obtained, including any required approval of any stock exchange on which the Common Shares are then listed, the Conversion Price shall be adjusted to the lesser of: (i) the Conversion Price in effect on such date; and (ii) $0.225 per share. Upon the cessation of the Interest Payment Restriction Event, the Conversion Price shall be re-adjusted to the Conversion Price in effect immediately prior to the adjustment made hereunder. The Corporation agrees to use its commercial best efforts to obtain the necessary regulatory approvals as soon as possible after the occurrence of an Interest Payment Restriction Event;

(f) in any case in which it is required that an adjustment be made to the Conversion Price, no such adjustment shall be made if, subject to the prior approval of any stock exchange upon which the Common Shares are listed, if any, the Holder elects to receive the rights, options or warrants referred to in Section 6.1(b) or the shares, rights, options, warrants, evidences of Indebtedness or assets referred to in Section 6.1(c), as the case may be, in such kind and number as the Holder would have received if the Holder had been a holder of Shares on the applicable record date or effective date, as the case may be, by virtue of the Principal Sum having then been converted into Common Shares at the Conversion Price in effect on the applicable record or effective date, as the case may be;

(g) the adjustments provided for in this Section 6.1 are cumulative, and shall be computed to the nearest whole cent and shall apply to successive subdivisions, re-divisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this Section 6.1;

(h) in case the Corporation shall take any action affecting the Common Shares other than action described in this Section 6.1, which in the reasonable opinion of the directors of the Corporation would materially affect the value of the conversion right set forth herein or otherwise be rights of the Holder, the Conversion Price shall be adjusted in such manner and at such time, by action of the directors, subject to the prior written consent of any stock exchange upon which the Common Shares are listed, if required, as the directors, acting reasonably, may determine to be equitable in the circumstances and not inconsistent with the provisions of this Debenture. Failure of the directors to make such an adjustment shall be conclusive evidence that the directors have determined that it is equitable to make no adjustment in the circumstances; and

(i) except as specifically provided in this Section 6.1, no adjustment will be made in the Conversion Price for this Debenture as a result of the issuance of Common Shares at less than the Current Market Price on the date of issuance or at less than the then applicable Conversion Price, other than to persons holding all or substantially all of the Common Shares at such time.

6.2 Entitlement to Shares on Exercise of Conversion Right

All shares of any class or other securities which the Holder is at the time in question entitled to receive on the exercise of the Conversion Right, whether or not as a result of adjustments made pursuant to this Article 6, shall, for the purposes of the interpretation of this Debenture, be deemed to be shares which the Holder is entitled to acquire pursuant to the exercise of the Conversion Right.

6.3 No Adjustment for Stock Options

Notwithstanding anything in this Article 6, no adjustment shall be made in the Conversion Price if the issue of Shares is being made upon the exercise of the Conversion Right or pursuant to any stock option plan in force from time to time for directors, officers and employees of the Corporation in compliance with, all stock exchanges rules and regulations which are then applicable.

6.4 Determination by Corporation's Auditors

In the event of any question arising with respect to the adjustments provided for in this Article 6, such question shall be conclusively determined by the Corporation's Auditors, or such other firm of chartered accountants mutually acceptable to the Corporation and the Holder, who shall have access to all necessary records of the Corporation, and such determination shall be binding upon the Corporation, the Holder and all other Persons interested therein.

6.5 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 conversion rights pursuant hereto, including the number of Shares which are to be received upon the exercise thereof, the Corporation shall take any corporate action which may, in the opinion of Counsel to the Corporation, be necessary in order that the Corporation has unissued and reserved in the Corporation's authorized capital and may validly and legally issue as fully paid and non-assessable all the Shares which the Holder is entitled to receive on the full exercise of the Conversion Right in accordance with the provisions hereof.

6.6 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 6, deliver a certificate of the Corporation to the Holder 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.

6.7 Notice of Special Matters

The Corporation covenants that the Corporation will give notice to the Holder of the Corporation's intention to fix a record date that is prior to the Maturity Date with respect to any action for which adjustment is provided in Section 6.1. Such notice shall specify the particulars of such event, the record date for such event and, if prepared or available as at the date that such notice is required to be given pursuant to this Section 6.7, such notice shall be accompanied by the material (i.e., proxy circulars, information booklets etc.) sent to the holders of Common Shares in respect of the event in question. The notice shall be given in each case not less than 14 days prior to such applicable record date.

6.8 No Action after Notice

The Corporation covenants that the Corporation will not close the Corporation's transfer books or take any other corporate action which might deprive the Holder of the opportunity to exercise the Corporation's right of conversion pursuant thereto during the period of 14 days after the giving of the certificate or notices set forth in Sections 6.6 and 6.7.

ARTICLE 7
REPRESENTATIONS AND WARRANTIES AND COVENANTS

7.1 Representations and Warranties

The Corporation hereby represents and warrants to the Holder and acknowledges that the Holder is relying on such representations and warranties that, as at the effective date of this Debenture:

(a) each of the Corporation and its Subsidiaries has been duly created, organized, continued, incorporated or amalgamated (as the case may be) and is valid and subsisting under the laws of the jurisdiction of its creation, organization, continuation, incorporation or amalgamation (as the case may be);

(b) each of the Corporation and its Subsidiaries is qualified to carry on business under the laws of each jurisdiction in which it carries on its business;

(c) each of the Corporation and its Subsidiaries has conducted and is conducting and will conduct business in compliance in all material respects with all Applicable Laws and in particular, all applicable licensing legislation, regulations or by-laws and Environmental Laws or other lawful requirements of any Governmental Authorities applicable to it of each jurisdiction in which it carries on business and holds all licenses, registrations and qualifications in all jurisdictions in which it carries on business which are necessary or desirable to carry on the business of each of the Corporation and its Subsidiaries as now conducted (except where the failure to so conduct its business or to hold such licenses, registrations or qualifications would not, individually or in the aggregate, have a material adverse effect on the business, operation, capital or condition (financial or otherwise) of the Corporation and its Subsidiaries, taken as a whole (or their properties or assets), all such licenses registrations or qualifications are valid and existing and in good standing (except where the lack of such valid or existing license would not have any material adverse effect on the business of the Corporation or its Subsidiaries, taken as a whole) and none of such licenses, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any material adverse effect on the business of the Corporation;

(d) other than the Subsidiaries, the Corporation has no subsidiaries, it is not "affiliated" with or a "holding corporation" of any other body corporate (within the meaning of those terms in the ABCA), nor is it a partner of any partnerships or limited partnership or party to any joint ventures which could result in material liabilities;

(e) the Corporation owns, directly or indirectly, all of issued and outstanding shares or membership interest, as the case may be, of each of the Subsidiaries, all of the issued and outstanding shares of the Subsidiaries that are corporations are issued as fully paid and non-assessable shares, and the Corporation owns all such shares and membership interests, as the case may be, of the Subsidiaries, free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands whatsoever (other than those arising by statute which are not the subject of any pending or threatened claim or Permitted Encumbrances) and no person, firm or corporation has any agreement or any option, right or privilege (whether pre-emptive or contractual) capable of becoming an agreement, for the purchase from the Corporation or any of the Subsidiaries of an interest in any of the shares in or membership interest of any of the Subsidiaries, other than the Secured Debentureholders;

(f) there has not been any material change in the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation and the Subsidiaries from the position set forth in the September 30, 2009 financial statements except as disclosed in the Disclosure Record, and there has not been any adverse material change in the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation since March 31, 2009, except as disclosed in the Disclosure Record; and since that date there have been no material facts, transactions, events or occurrences which could have a Material Adverse Effect, which have not been disclosed in the Disclosure Record;

(g) the information and statements contained in the Disclosure Record were true, correct and complete in all material respects at the time such documents were filed on www.sedar.com and contained no misrepresentation and no untrue statement of a material fact and did not omit to state a material fact that was necessary to be stated in order for the statement not to be misleading or that was necessary to prevent a statement that was made from being false or misleading in the circumstances in which it was made, the whole as of the respective dates of such information and statements and to the knowledge of the Corporation, all such information and statements were prepared in accordance with and materially complied with Applicable Securities Laws and the Corporation has not filed any confidential material change reports still maintained on a confidential basis;

(h) the Financial Statements fairly present, in accordance with GAAP, consistently applied, the financial position and condition, the results of operations, cash flows and the other information purported to be shown therein of the Corporation and the Subsidiaries as at the dates thereof and for the periods then ended and reflect all assets, liabilities and obligations (absolute, accrued, contingent or otherwise) of the Corporation and the Subsidiaries on a consolidated basis as at the dates thereof required to be disclosed and include all adjustments necessary for a fair presentation;

(i) the Corporation has no liabilities, obligations, indebtedness or commitments, whether accrued, absolute, contingent or otherwise, which are not disclosed or referred to in the Financial Statements or referred to or disclosed herein, other than liabilities, obligations, indebtedness or commitments (i) incurred in the normal course of business; (ii) in respect of leased property in Red Deer, Alberta, which is not expected to exceed $750,000; or (iii) which could not reasonably be expected to have a Material Adverse Effect;

(j) as at the date hereof, the Corporation has not issued any convertible securities other than this Debenture, the Secured Debentures and certain 0% unsecured debentures (which unsecured debentures do not, as at the date hereof, exceed $7,500,000 in the aggregate);

(k) there are no actions, suits, proceedings or inquiries pending or (as far as the Corporation is aware) threatened against or affecting the Corporation, or the Subsidiaries, at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way materially adversely affects, or may in any way materially adversely affect, the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation, or the Subsidiaries, on a consolidated basis;

(l) each of the Corporation, and the Subsidiaries has conducted and is conducting its business in all material respects in compliance with all applicable laws, rules and regulations and, in particular, all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to it of each jurisdiction in which it carries on business and holds all material licences, registrations and qualifications in all jurisdictions in which it carries on business necessary to carry on its business as now conducted and as contemplated to be conducted in the Disclosure Record and all such licenses, registrations and qualifications are valid and existing and in good standing, except where the lack of such valid or existing license, registration or qualification could not reasonably be expected to have any Material Adverse Effect;

(m) the Corporation, or the Subsidiaries are not a party to or bound by any agreement of guarantee, indemnification, assumption or endorsement or any other like commitment of the obligations, liabilities (absolute, accrued, contingent or otherwise) or indebtedness of any other Person other than the Corporation or a Subsidiary other than indemnities or other obligations provided by the Corporation or the Subsidiaries: (i) pursuant to the Material Agreements; (ii) to its directors and officers in such capacities; (iii) and its agents pursuant to prior financings of the Corporation; or (iv) pursuant to this Agreement other than in the ordinary course of business;

(n) the authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series of which not more than 162,000,000 Common Shares and nil preferred shares are issued and outstanding;

(o) no Person holds any securities convertible into or exchangeable for Common Shares or has any agreement, warrant, option, right or privilege being or capable of becoming an agreement, warrant, option or right (whether or not on condition(s)) for the purchase or other acquisition of any unissued Common Shares or other securities of the Corporation except in respect of: (i) an aggregate of not more than 4,000,000 Common Shares issuable upon exercise of currently outstanding stock options under the Corporation's stock option plan; (ii) Common Shares issuable pursuant to the Corporation's employee savings plan and currently outstanding stock appreciation rights; (iii) Common Shares issuable pursuant to outstanding convertible debentures of the Corporation (including the Secured Debentures and this Debenture); and (iv) Common Shares issuable upon exercise of the warrants of the Corporation issued pursuant to the Underwriting Agreement;

(p) no Securities Commission, stock exchange or similar regulatory authority has issued any order preventing or suspending trading in any securities of the Corporation and, to the best of its knowledge, information and belief, no proceedings, investigations or inquiries for such purpose are pending or contemplated or threatened;

(q) Olympia Trust Company at its principal offices in the city of Calgary, Alberta, is the duly appointed registrar and transfer agent of the Corporation with respect to the Common Shares;

(r) the minute books of each of the Corporation, and the Subsidiaries are true and correct in all material respects and contain the constating documents of each such entity and the minutes of all meetings and all resolutions of the directors and shareholders of the Corporation and the Subsidiaries;

(s) the issued and outstanding Common Shares are listed and posted for trading on the TSXV and the Corporation is in compliance with the rules and regulations of the TSXV in all material respects;

(t) the TSXV has granted all necessary approvals with respect to the issuance of Common Shares on the conversion of this Debenture, and the Common Shares issued on conversion of this Debenture, in whole or in part, have been approved for listing on the TSXV (other than the

Common Shares issuable upon a reduction of the Conversion Price pursuant to Section 6.1(e)), subject to customary document delivery requirements of the TSXV;

(u) to the knowledge of the Corporation it has duly filed or delivered all reports, filings, disclosures, releases and other materials required to be filed with or delivered to any securities regulatory authority having jurisdiction under applicable laws (including, without limitation, periodic timely disclosure filings and other materials required to be filed by a "reporting issuer" under Applicable Securities Laws in Canada). All such reports, filings, disclosures, releases or other materials were prepared in accordance with Applicable Securities Laws, no such disclosure has been made on a confidential basis and, as of the date of the filing or delivery thereof, none of such reports, filings, disclosures, releases or other materials contained any misrepresentation;

(v) the Corporation, and the Subsidiaries have not received any notice of, or been prosecuted for an offence alleging, material non-compliance with any Environmental Laws, and the Corporation, and the Subsidiaries have not settled any allegation of material non compliance short of prosecution. There are no orders or directions relating to environmental matters requiring any material work, repairs, construction or expenditures to be made by the Corporation, and the Subsidiaries nor has the Corporation, or the Subsidiaries received notice of any of the same and which orders directions or notices remain outstanding as unresolved;

(w) the Corporation and the Subsidiaries maintain such policies of insurance, issued by responsible insurers, as are appropriate to its operations, property and assets, in such amounts and against such risks as are customarily carried and insured against by owners of comparable businesses, properties and assets;

(x) other than as disclosed to the Holder prior to the issuance of this Debenture, each of the Corporation and its Subsidiaries has duly and on a timely basis, subject to standard extensions, filed all tax returns required to be filed by it, has paid all taxes due and payable by it and has paid all assessments, and reassessments and all other taxes, governmental charges, penalties, interest and other fines due and payable by it and which were claimed by any governmental authority to be due and owing and adequate provision has been made for taxes payable for any completed fiscal period for which tax returns are not yet required and there are no agreements, waivers, or other arrangements providing for an extension of time respect to the filing of any tax return or payment of any tax, governmental charge or deficiency by the Corporation or any of its Subsidiaries and to the best of the knowledge, investigations or claims threatened or pending against the Corporation or any of its Subsidiaries in respect of taxes, governmental charges or assessments or any matters under discussion with any governmental authority relating to taxes, governmental charges or assessments asserted by any such authority;

(y) although it does not warrant title, the Corporation has no reason to believe and does not believe that the Corporation and each of its Subsidiaries does not have good and marketable title to its assets and properties, free and clear of all Liens (other than Permitted Liens);

(z) as at January 31, 2010, the Corporation's aggregate Financial Indebtedness did not exceed $41,000,000 million;

(aa) the Corporation has no reason to believe that the Material Agreements are not in full force and effect;

(bb) there are no defaults or events of default under the Material Agreements other than as otherwise disclosed to the Holder in writing prior to the issuance of this Debenture (the "**Existing Material Agreement Defaults**");

(cc) the Corporation has duly and validly created and issued this Debenture;

(dd) the Common Shares issuable upon the conversion of this Debenture will be duly and validly authorized, allotted and reserved for issuance and, upon such conversion and exercise in accordance with the terms and conditions of this Debenture will be issued as fully paid and non-assessable Common Shares;

(ee) the Corporation has full corporate power and authority to create and issue this Debenture, to issue the Common Shares issuable upon conversion of this Debenture and to perform the Corporation's obligations set out herein, and this Debenture has been duly authorized, executed and delivered by the Corporation, and constitutes legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with its terms, subject to the general qualifications that enforceability may be limited by bankruptcy, insolvency or other laws affecting the rights of creditors generally, that equitable remedies are available only in the discretion of the applicable court and that rights to indemnity and waiver of contribution may be limited or unavailable by applicable law;

(ff) the execution and delivery by the Corporation of this Debenture, and the performance by the Corporation of the Corporation's obligations hereunder, do not and will not:

(i) contravene, violate or result in a breach of the Corporation's articles of continuance, by-laws or other constating documents (as applicable) or any shareholders' agreement (or other similar agreement) relating to the Corporation;

(ii) result in a breach or default under the Material Agreements;

(iii) contravene, violate or result in a breach of any Applicable Law; or;

(iv) contravene, violate or result in a breach of any resolution of the Corporation's shareholders, directors or officers or any committee of either; and

(gg) no consent, authorization, approval or other action by, and no publication, notice to or filing or registration with, any governmental authority or judicial body is required for the due execution and delivery by the Corporation of this Debenture (other than registration of the Charge or financing statements in respect thereof) and the performance by the Corporation of the Corporation's indebtedness, liability or obligations hereunder or to ensure the validity or enforceability hereof other than registrations required to preserve, protect or perfect the Charge or to establish the priority thereof.

7.2 Positive Covenants

The Corporation covenants with the Holder that the Corporation shall and shall cause each of its Subsidiaries, to:

(a) Payment and Performance: duly and punctually pay all amounts due by the Corporation hereunder and shall perform all other obligations on the Corporation's part to be performed under the terms of this Debenture at the times and places and in the manner provided for therein;

(b) Corporate Existence: maintain the Corporation's and each Subsidiary's corporate or partnership existence in good standing under the laws of the Corporation's jurisdiction of incorporation or formation and register and qualify and remain registered and qualified as a corporation or partnership, applicable, authorized to carry on business under the laws of each jurisdiction in which the nature of any material business conducted by the Corporation or such Subsidiary or the character of any material properties and assets owned or leased by the Corporation or such Subsidiary requires such registration and qualification;

(c) Insurance: maintain in full force and effect such policies of insurance, including public liability and property damage insurance, in such amounts issued by insurers of recognized standing covering the Corporation's and its Subsidiaries' properties and operations, including business interruption insurance and replacement cost insurance, as are customarily maintained by Persons engaged in the same or similar business in the localities where the Corporation's and its Subsidiaries' properties and operations are located, and, if requested, furnish the Holder with certificates or other evidence confirming compliance with the foregoing insurance requirements and make the Holder a loss payee and additional insured in respect of such insurance if and to the extent that any Senior Lender is so named;

(d) Compliance With Applicable Laws:

(i) carry on and conduct the Corporation's and its Subsidiaries' business and keep, maintain and operate the Corporation's and its Subsidiaries assets and properties in all material respects in accordance with all Applicable Laws, including Environmental Laws and Applicable Securities Laws, and in a good and workmanlike manner and in accordance with sound industry practice; and

(ii) observe and conform in all material respects to all valid requirements of any Governmental Approval relative to any of the Corporation's and its Subsidiaries' assets and properties and all covenants, terms and conditions of all agreements upon or under which any of the Corporation's and its Subsidiaries' assets and properties are held;

(e) Payment of Taxes:

(i) file all income tax returns which are required to be filed; and

(ii) pay or make provision for payment (in accordance with GAAP) of all Taxes which are due and payable, or to provide adequate reserves (in accordance with GAAP) for the payment of any Tax, the payment of which is being contested in good faith;

(f) Payment of Other Obligations: pay or cause to be paid all rents, royalties, taxes and other indebtedness to pay money validly imposed upon the Corporation and its Subsidiaries, or upon the Corporation's and its Subsidiaries' properties or assets or any part thereof, and all Indebtedness of the Corporation and its Subsidiaries as and when the same became due and payable or shall provide adequate reserves (in accordance with GAAP) for the payment of any such obligation or Indebtedness, the payment of which is being contested in good faith;

(g) Maintenance of Books and Records: keep or cause to be kept proper and adequate records and books of account in which true and complete entries will be made in a manner sufficient to enable the preparation of financial statements in accordance with GAAP;

(h) Defend Title to Assets: maintain, protect and defend title to all property and assets held by the Corporation and its Subsidiaries in the Corporation's and its Subsidiaries' own capacity or on behalf of others, and take all such acts and steps as are necessary or advisable at any time and from time to time to maintain the Corporation's and its Subsidiaries' property and assets in good standing;

(i) Share Capital:

(i) reserve and keep available a sufficient number of Common Shares for the purpose of enabling the Corporation to satisfy the Corporation's obligations to issue Common Shares upon the exercise of the Conversion Right;

(ii) cause the Common Shares and the certificates representing the Common Shares from time to time acquired pursuant to the exercise of the Conversion Right to be duly issued and delivered in accordance with the terms hereof;

(iii) ensure that all Common Shares which shall be issued upon exercise of the Conversion Right shall be issued as fully paid and non assessable; and

(iv) make all requisite filings under Applicable Securities Laws and the rules and regulations of the TSXV necessary to report the exercise of the right to acquire Shares pursuant to the Conversion Right;

(j) Reporting Requirements: furnish to the Holder

(i) as soon as available and in any event within the earlier of: (i) 120 days after the end of each fiscal year of the Corporation and (ii) the date upon which the following information is to be filed with a Securities Commission, its audited consolidated financial statements and the auditor's report thereon including a balance sheet and related statements of income, retained earnings and changes in cash flow as of the end of and for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, in accordance with GAAP;

(ii) if requested by the Holder, as soon as available and in any event within the earlier of: (i) 60 days after the end of each of the first three fiscal quarters of each fiscal year of the Corporation and (ii) the date upon which the following information is to be filed with a Securities Commission, its unaudited consolidated financial statements including a balance sheet and related statements of income, retained earnings and changes in cash flow as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year which includes such fiscal quarter, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by an Officer as presenting fairly in all material respects the financial condition and results of operations of the Corporation and its Subsidiaries on a consolidated basis in accordance with GAAP, subject to normal year-end audit adjustments;

(iii) a copy of all information and materials furnished to the holders of Common Shares not included in the foregoing subsections 7.2(j)(i) to (iii); and

(iv) any other information that may be reasonably requested by the Holder, including any information provided by the Corporation to any Senior Lender;

(k) Notice of Event of Default: provide the Holder with prompt written notice of the occurrence of any Senior Debt Default, Default or Event of Default upon obtaining knowledge thereof;

(l) Compliance with Material Agreements: observe the terms of and perform the Corporation's or any of its Subsidiaries' obligations under the Material Agreements in all material respects and provide the Holder with prompt written notice of the occurrence of any material default thereunder upon obtaining knowledge thereof; and

(m) Notice of Litigation: promptly notify the Holder of (i) any litigation or proceeding in which it is a party if an adverse decision therein would require the Corporation or any Subsidiary thereof to pay more than $100,000 or deliver assets the value of which exceeds such sum (whether or not the claim is considered to be covered by insurance), and (ii) the institution of any other suit or proceeding involving the Corporation or any Subsidiary thereof that might materially and adversely affect the Collateral or the operations, financial condition, or business of the Corporation or any Subsidiary thereof.

7.3 Negative Covenants of the Corporation

The Corporation covenants with the Holder that the Corporation shall not, and the Corporation shall not permit any Subsidiary, without the consent of the Holder:

(a) Financial Indebtedness: incur any Financial Indebtedness (provided that such restriction will not apply to any transaction between the Corporation and any Subsidiary thereof) other than: (i) indebtedness secured by Permitted Encumbrances (except that any Indebtedness owing to F5 or the Focus Shareholders or to the Secured Debentureholders cannot be increased beyond what exists as of the date hereof); and (ii) Financial Indebtedness to a Bank to the extent the same is made within such Bank's normal lending parameters based on the leveraging of inventory, receivables and other assets and is not a form of bridge or mezzanine financing;

(b) Negative Pledge: except for Permitted Encumbrances, create, incur, assume or suffer to exist any Security Interest upon or with respect to any of the Collateral;

(c) Distributions: declare or pay any dividend or any other distribution on any Shares or other shares of the Corporation or make any other payment to the direct or indirect holders of Shares of the Corporation (other than to F5, as agent of the Focus Shareholders in accordance with the Focus Agreements or in connection with the payment of the indebtedness owed to F5 or the Focus Shareholders), including, without limitation, any payment in connection with any amalgamation, merger or consolidation involving the Corporation or any Subsidiary thereof or redeem or purchase or otherwise retire any shares of the Corporation provided that such restrictions will not apply to any transaction between the Corporation and any Subsidiary;

(d) Change of Business: change in any material respect the nature of the Corporation's or its Subsidiary's business or operations from the oilfield service business, nor engage directly or indirectly, in any material business or activity or purchase or otherwise acquire any material property, in either case not primarily related to the conduct of the Corporation's or its Subsidiary's business or operations as presently carried on;

(e) Related Party Transactions: except as specifically permitted hereunder, enter into any transaction, including the purchase, sale or exchange of any property or the rendering of any services, with any of its shareholders or with any affiliate (within the meaning of the ABCA), or with any of its or their directors or officers, except a transaction or agreement or arrangement which is in the ordinary course of business of the Corporation or any Subsidiary thereof and which is upon fair and reasonable terms not less favourable to the Corporation or a Subsidiary thereof than it would obtain in comparable arms-length transaction; provided that such restriction will not apply to any transaction between the Corporation and any Subsidiary thereof whose assets form part of the Collateral;

(f) Financial Assistance: provide any guarantee, loans or other financial assistance to any person, other than to the Corporation or a Subsidiary, or make any contributions of capital in any Person that is not a Subsidiary, except, in any case, for any guarantees, loans or other financial assistance or contributions of capital to the extent they do not exceed Cdn. $100,000 in the aggregate;

(g) Swaps: enter into any Swap outside the ordinary course of the Corporation's or its Subsidiary's business or for speculative purposes (determined, where relevant, by reference to GAAP);

(h) Investments: except for investments in a joint venture or partnership made in the ordinary course of business of the Corporation and consistent with investments made in the oil field service industry and where the investment by the Corporation in such joint venture or partnership is included in the Collateral and the Charge, make investments in any Person unless all of the equity interests in such Person are held by the Corporation and such Person executes and delivers to the Holder a guarantee of the Obligations and a general security agreement creating a security interest in all of the present and after acquired personal property of such Person, each in form and substance acceptable to the Holder, acting reasonably, or make any investment in an Unlimited Company; or

(i) Merger Transaction: enter into or become party to Merger Transaction if, in the opinion of the Holder, acting reasonably, the creditworthiness of the surviving entity is lowered other than: (i) with a wholly-owned Subsidiary of the Corporation if such Subsidiary executes and delivers to the Holder a guarantee of the Obligations and a general security agreement creating a security interest in all of the present and after acquired personal property of such Subsidiary, each in form and substance acceptable to the Holder, acting reasonably; or (ii) a transaction that would result in a Change of Control.

7.4 Securities Qualification Requirements

(a) If, in the opinion of Counsel to the Holder, any instrument is required to be filed with, or any permission is required to be obtained from any Governmental Authority or any other Governmental Approval is required before any Shares which the Holder is entitled to receive on the exercise of the Conversion Right may properly and legally be delivered, issued or traded (subject to applicable hold periods and other than in respect of the status of the Holder as a "control person" within the meaning of Applicable Securities Laws) upon due exercise thereof and thereafter traded, without further formality or restriction, the Corporation covenants that the Corporation will take such required action at the sole cost and expense of the Corporation.

(b) The Corporation will give written notice of the issue of Shares pursuant to the exercise of the Conversion Right to each Securities Commission and any stock exchange on which the Corporation's Shares may be listed for trading as may be necessary in such detail as may be required in order that the issue of Shares issuable upon the exercise of the Conversion Right and the subsequent disposition of the Shares so issued (subject to applicable hold periods) will not be subject to the prospectus qualification requirements of Applicable Securities Laws.

(c) The Corporation will prepare and file, in the form and manner and in the time required by Applicable Securities Laws, all documents, reports, and other information required to me prepared and filed by the Corporation under Applicable Securities Laws.

ARTICLE 8
SUBORDINATION

8.1 Subordination

Subject to the terms of the Inter-Lender Agreements, the Holder agrees to the following subordination, postponement and priority:

(a) subject to the payment of the Obligations as permitted by Section 8.4, the payment of all Obligations is hereby postponed and subordinated to the payment in full of all Senior Debt and the Holder will not, and will not permit any representative thereof to, directly or indirectly take or receive from the Corporation, payment of, or consideration for the reduction of, the whole or any part of the Obligations and if a payment is received or made on the Obligations, the Holder will hold such payment in trust for the benefit of, and shall forthwith pay over in the form received to, the holders of Senior Debt; and

(b) all present and future Security Interests granted by the Corporation to the holders of Senior Debt (collectively, the "**Senior Security**") shall have priority over all present and future Security Interests granted by the Corporation to the Holder, including the Charge (collectively the "**Subordinated Security**"), and the Subordinated Security is hereby postponed and subordinated in all respects to the Senior Security.

8.2 Realization

The Holder agrees that, in the event of any distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the assets of the Corporation or its Subsidiaries by reason of the liquidation, dissolution or winding-up of the business of the Corporation or its Subsidiaries, or any sale, receivership, insolvency or bankruptcy proceedings, or assignment for the benefit of creditors, or in the event of a bulk sale of any of the assets of the Corporation or its Subsidiaries, or any proceeding by or against the Corporation or any Subsidiary thereof for any relief under any bankruptcy or insolvency law or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, marshalling of assets, compromise, or other proceedings (other than in respect of a bona fide merger, amalgamation or arrangement pursuant to which a successor corporation assumes all of the obligations of the Corporation or its Subsidiaries in respect of the Senior Debt and the Obligations), then and in every such event:

(a) all of the Senior Debt shall first be paid in full and satisfied before the Holder shall be entitled to receive or retain any payment or distribution from the Corporation or any Subsidiary thereof or any receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution in respect of the Obligations;

(b) any payment or distribution of assets or securities of the Corporation or its Subsidiaries of any kind or character, whether in cash, property or securities, to which the Holder would be entitled in respect of the Obligations, shall be paid by the Corporation or its Subsidiaries or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, directly to the holders of Senior Debt to the extent necessary to pay in full all the

Senior Debt before any payment or distribution is made to the Holder or any representative thereof in respect of the Obligations; and

(c) if any payment or distribution of assets or securities of the Corporation or its Subsidiaries of any kind or character, whether in cash, property or securities, shall be received by the Holder or any representative thereof before all the Senior Debt is paid in full and satisfied, the Holder will hold such payment or distribution in trust for the benefit of, and shall forthwith pay over in the form received to, the holders of Senior Debt.

8.3 Subrogation of Senior Debt

If the Holder shall pay any amount to the holders of Senior Debt pursuant to Sections 8.1 or 8.2, and upon the Senior Debt being paid in full and satisfied, then to the extent that the Corporation shall then be indebted to the Holder under this Debenture, the Holder shall be subrogated to the rights of the holders of Senior Debt (without any representation or warranty from holders of the Senior Debt) and shall be entitled to receive an assignment of any and all of the documents representing the Senior Debt and to receive payments or distributions of assets of the Corporation made on the Senior Debt until the principal of, premiums and the interest thereon, shall be paid in full, as between the Corporation and the Holder, to be applied to this Debenture until the Obligations shall have been paid in full and satisfied, and the effect of this Section shall in no manner reduce the amount which the Holder is entitled to recover in respect of this Debenture.

8.4 Payment of Obligations Permitted

Nothing contained in this Articles 8 shall prevent the Corporation from making the following payments at the specified times to the Holder (nor from the Holder receiving such payments for its own account):

(a) payment of all fees and expenses and all Interest when due hereunder and payment of all interest on overdue amounts when due hereunder; and

(b) payment of all amounts outstanding under this Debenture on or before the Maturity Date;

except to the extent set out in the Inter-Lender Agreements.

8.5 Subordination to Senior Lender

The Holder agrees with the Corporation that it shall enter into an Inter-Lender Agreement with (i) HSBC Bank Canada on such terms as are mutually agreeable to the Holder and HSBC Bank Canada, and (ii) F5, as agent for the Focus Shareholders, on such terms as are mutually agreeable to the Holder and F5.

8.6 Rights of Senior Lenders Not Impaired

No right of any Senior Lender to enforce the subordination herein will at any time or in any way be prejudiced or impaired by any act or failure to act on the part of the Corporation or by any non-compliance by the Corporation with the terms, provisions and covenants of this Debenture, regardless of any knowledge thereof any such Senior Lender may have or be otherwise charged with.

ARTICLE 9
DEFAULT

9.1 Events of Default

An Event of Default shall occur upon the happening of any one or more of the following:

(a) if the Corporation defaults in payment of the Principal Sum when the same becomes due and payable under this Debenture;

(b) if the Corporation defaults in payment of any Interest due on this Debenture when the same becomes due and any such default continues thereafter for a period of three days;

(c) if there shall be a breach by the Corporation of any other covenant, condition or provision contained in this Debenture and the breach (if capable of being cured) is not cured within 5 days after written notice by the Holder to the Corporation;

(d) if any representation or warranty in favour of the Holder contained in this Debenture shall prove to have been incorrect in any material respect when made and the event giving rise to such misrepresentation (if capable of being corrected) continues to exist for a period of 30 days after the earlier of the Corporation becoming aware of such misrepresentation and the Holder giving written notice of such incorrect representation and warranty to the Corporation;

(e) if the Corporation shall (i) institute or commence proceedings to be adjudicated a bankrupt or insolvent or consent to the filing of a bankruptcy or insolvency proceeding against the Corporation, (ii) file, institute or commence or otherwise take any proceeding relating to reorganization, adjustment, arrangement, composition, compromise, stay of proceedings or relief similar to any of the foregoing under any Applicable Law regarding bankruptcy, insolvency, reorganization or relief of debtors (including under the *Companies' Creditors Arrangement Act (*Canada*)* or the *Bankruptcy and Insolvency Act (*Canada*)*) or consent to the filing of any such proceeding, (iii) consent to the appointment of a Receiver, liquidator, trustee or assignee in bankruptcy or similar official or to the liquidation, dissolution or winding-up of the Corporation or of all or a substantial part of the Corporation's property and assets, (iv) make an assignment for the benefit of creditors, (v) admit in writing the Corporation's inability to pay the Corporation's debts generally as they become due, (vi) generally not pay the Corporation's debts as they come due or otherwise be insolvent, or (vii) take any corporate or other action authorizing or in furtherance of any of the foregoing;

(f) if any proceeding is filed, instituted or commenced by any Person seeking (i) to adjudicate the Corporation a bankrupt or insolvent or the liquidation, reorganization, winding-up, adjustment, arrangement, compromise, composition, stay of proceedings or similar relief of or for the Corporation under any Applicable Law regarding bankruptcy, insolvency, reorganization or relief of debtors (including under the *Companies' Creditors Arrangement Act (*Canada*)* or *the Bankruptcy and Insolvency Act (*Canada*)*), or (ii) to appoint a Receiver, liquidator, trustee or assignee in bankruptcy or similar official of the Corporation or of all or a material part of the Corporation's property and assets, if such proceeding shall continue undismissed or unstayed for a period of 30 days;

(g) if the obligations of the Corporation to a Senior Lender are declared due and payable;

(h) if a writ, execution, attachment or similar process is issued or levied against all or a portion of the property of the Corporation in connection with any judgment or judgments against the Corporation aggregating in excess of Cdn. $500,000 and such writ, execution, attachment or similar process ranks in priority to or *pari passu* with the Security and is not released, satisfied, discharged, vacated or stayed within 30 days after its entry, commencement or levy;

(i) if final judgments for the payment of money aggregating in excess of Cdn. $500,000 shall be rendered against the Corporation by a court of last resort and the same shall remain undischarged for a period of 30 days during which time such judgments shall not be on appeal or execution thereof shall not be effectively stayed;

(j) if, in the opinion of the Holder, acting reasonably, a Material Adverse Effect occurs;

(k) if any material provision of the Debenture or the Charge continues to be invalid or unenforceable in whole or in a material part and the same is not cured to the satisfaction of the Holder, acting reasonably, within fifteen (15) days after notice thereof by the Holder to the Corporation or the Corporation or any Subsidiary at any time challenges, disputes or contests the validity or enforceability of any of the Security Interests in and to any material Collateral constituted by the Charge; and

(l) if there occurs a Change of Control and the Corporation has not made the Change of Control Offer and otherwise complied with Section 5.1 in connection with a Change of Control.

9.2 Acceleration

Upon the occurrence of an Event of Default which is continuing, the Holder may by notice in writing to the Corporation declare the Principal Sum and all accrued interest thereon and other Obligations to be immediately due and payable and the same shall become immediately due and payable to the Holder and the Corporation shall forthwith pay the same to the Holder failing which all rights and remedies of the Holder hereunder or at law or equity in respect of such non-payment shall become enforceable; provided that upon the occurrence of an Event of Default specified in Section 9.1(e) or 9.1(f), all Obligations shall automatically become due and payable without any requirement that notice be given by the Holder.

9.3 Remedies - General

Upon the occurrence of a Realization Event, the Holder may, in the Holder's discretion:

(a) exercise such rights and remedies as are provided by the PPSA with respect to the Collateral or any part thereof that constitutes personalty and all other rights and remedies recognized under Applicable Law against the Corporation or in respect of the Collateral or any part thereof for the enforcement of full payment and performance of all the Obligations;

(b) either with or without notice, enter into and upon and take possession of all or any part of the Collateral with full power to exclude the Corporation and additionally shall have full power and authority;

(i) to carry on, manage and conduct the business operations of the Corporation respecting such Collateral and the power to borrow money in the Holder's own name or advance the Holder's own money for the purpose of such business operations, the maintenance and preservation of such Collateral or any part thereof and the making of such replacements thereof and additions thereto as the Holder shall deem desirable and the payment of taxes, wages and other charges ranking in priority to the Charge; and

(ii) to receive the revenues, incomes, issues and profits of such Collateral and to pay therefrom the costs, charges and expenses of the Holder in carrying on the said business operations or otherwise, and all taxes, assessments and other charges against such Collateral ranking in priority to the Charge the payment of which may be necessary to preserve such Collateral, and to apply the remainder of the monies so received in the same manner as if the same arose from a sale or realization of such Collateral;

(c) either after entry as aforesaid or after other entries, or without any entry, sell or dispose of the Collateral, either as a whole or in separate parcels, by private contract, at public auction, by public tender, by lease or by deferred payment arrangement;

(d) make any such sale or disposition of the Collateral either for cash or upon credit and upon such reasonable conditions as to upset or reserve bid or price and terms of payment as the Holder may deem proper; to rescind or vary any contract or sale that may have been entered into and re-sell with or under any of the powers conferred herein; to adjourn such sale from time to time; and to execute and deliver to the purchaser or purchasers of the Collateral or any part thereof, good and sufficient deed or deeds for the same, and any such sale or disposition made as aforesaid shall be a perpetual bar at law and in equity against the Corporation and all other Persons claiming the Collateral or any part or parcel thereof, by, from, through, or under the Corporation. The Holder may become a purchaser at any sale of the Collateral or any part thereof;

(e) with or without entry or sale as aforesaid, in the Holder's discretion, proceed to protect and enforce the Holder's rights under this Debenture by sale under judgment order in any judicial proceeding or by foreclosure or a suit or suits in equity or at law or otherwise whether for the specific performance of any covenant or agreement contained in this Debenture or in aid of the execution of any power granted in this Debenture or in aid of the execution of this Debenture or for the filing of such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claim of the Holder lodged in any bankruptcy, winding-up or other judicial proceeding, or for the enforcement of any other legal or equitable remedy as the Holder shall deem most effective to protect and enforce any of the rights or duties of the Holder; or

(f) in lieu of appointing a Receiver as provided in Section 9.7, apply to any court or courts of competent jurisdiction for the appointment of a Receiver of the Collateral or any part thereof, with such powers as the court or courts making such appointment or appointments shall confer.

9.4 Possession

Upon the occurrence of a Realization Event, the Corporation shall on demand by the Holder or any Receiver yield up possession of the Collateral or any part thereof as demanded by the Holder and put no obstacle in the way of, but facilitate by all legal means, the actions of the Holder or any Receiver hereunder and not interfere with the carrying out of the powers hereby granted to the Holder or any Receiver.

9.5 Judgment

The Corporation covenants and agrees with the Holder that, in the case of any judicial or other proceeding to enforce the Charge or any part thereof, judgment may be rendered against the Corporation in favour of the Holder for any amount remaining due under this Debenture or for which the

Corporation may be liable hereunder, after the application to the payment thereof of the proceeds of any sale of the Collateral or any part thereof. The covenant of the Corporation to pay interest at the rate provided in this Debenture shall not merge in any such judgment and such judgment shall bear interest (with interest on overdue interest at the same rate) at the then applicable Interest Rate until such judgment and all interest thereon has been paid in full.

9.6 Account Debtors

After the occurrence of a Realization Event:

(a) All Persons being a debtor on an intangible or chattel paper, an obligor on an instrument or any other Person being obligated to pay any account receivable or other debt due, owing or accruing due to the Corporation, including operators or managers under any operating agreement, management agreement, lease, or otherwise, are entitled at all times to treat and regard the Holder as the assignee and transferee from the Corporation, entitled in the place and stead of the Corporation to receive such proceeds, accounts and other debts. The Holder may give notice to all or any of such Persons of the Charge and to remit all such proceeds, accounts and other debts directly to the Holder, whether or not the Corporation was making collections on such Collateral prior to notification by the Holder; and all such Persons shall be fully protected in so treating and regarding the Holder and shall be under no obligation to see to the application in any particular manner by the Holder of any such proceeds, accounts and other debts received by the Holder.

(b) All securities intermediaries that are required to act upon entitlement orders of the Corporation are entitled to treat and regard the Holder as the entitlement holder, entitled in the place and stead of the Corporation to give entitlement orders. The Holder may give notice to each securities intermediary with whom the Corporation maintains a securities account and require each such securities intermediary to act in accordance with entitlement orders of the Holder in relation to the investment property held in such securities account; and all such securities intermediaries shall be fully protected in treating and regarding the Holder as the entitlement holder and will be under no obligation to see to the application in any particular manner the Holder of any investment property of the Corporation held by the securities intermediary. The Corporation will, at the request of the Holder, furnish the Holder with a list of all securities intermediaries with whom the Corporation maintains accounts together with all relevant account information.

(c) Any money collected or received by the Holder pursuant to paragraphs (a) and (b) above shall be applied in the manner set out in Section 9.9. The Holder shall not be liable or accountable for the Holder's failure to collect, realize, sell or obtain payment of accounts, chattel paper, instruments, intangibles, choses in action or rights to payment or any part thereof and shall not be bound to institute proceedings for the purpose of collecting, realizing or obtaining payment of the same or for the purpose of preserving any right to payment of the Holder, the Corporation or any other Person in respect thereof.

9.7 Receiver

Upon the occurrence of a Realization Event, the Holder may in the Holder's discretion appoint a Receiver of the Collateral or any part thereof and upon any such appointment by the Holder the following provisions shall apply:

(a) such appointment shall be made in writing signed by the Holder and such writing shall be conclusive evidence for all purposes of such appointment; the Holder may from time to time in the same manner remove any Receiver so appointed and appoint another in its stead; in making any such appointment the Holder shall be deemed to be acting as the attorney for the Corporation and the Corporation hereby consents to the appointment of a Receiver;

(b) any such appointment may be limited to any part or parts of the Collateral or may extend to the whole thereof;

(c) every Receiver may, in the discretion of the Holder, be vested with all or any of the powers, rights, benefits, discretions, protection and relief of the Holder hereunder and shall be vested with all of the powers and protections afforded to a Receiver under Applicable Law;

(d) the Holder may from time to time fix the reasonable remuneration of the Receiver and direct the payment thereof, in priority to the other Obligations, out of the Collateral, the income therefrom or the proceeds thereof;

(e) the Holder may from time to time require any Receiver to give security for the performance of such Receiver's duties and may fix the nature and amount thereof, but the Holder shall not be bound to require such security;

(f) every such Receiver may, with the consent in writing of the Holder, borrow money for the purpose of carrying on the business of the Corporation in respect of any part of the Collateral or for the maintenance, protection or preservation of the Collateral or any part thereof, and any Receiver may issue certificates (in this Section called "Receiver's Certificates"), for such sums as will in the opinion of the Holder be sufficient for carrying out the foregoing, and such Receiver's Certificates may be payable either to order or bearer and may be payable at such time or times as the Holder may consider expedient, and shall bear such interest as shall therein be declared and the Receiver may sell, pledge or otherwise dispose of the same in such manner as the Holder may consider advisable and may pay such commission on the sale thereof as the Holder may consider reasonable, and the amounts from time to time payable by virtue of such Receiver's Certificates shall at the option of the Holder form a Charge upon the Collateral in priority to this Debenture;

(g) every Receiver shall, regarding its acts or omissions, be deemed the agent of the Corporation, and in no event the agent of the Holder and the Holder shall not, in making or consenting to such appointment, incur any liability to any Receiver for its remuneration or otherwise howsoever;

(h) except as may be otherwise directed by the Holder, all monies from time to time received by any Receiver shall be paid over to the Holder at the place where this Debenture is payable; and

(i) the Holder may pay over to any Receiver any monies constituting part of the Collateral to the extent that the same may be applied for the purposes hereof by such Receiver and the Holder may from time to time determine what funds any Receiver shall be at liberty to keep on hand with a view to the performance of its duties as such Receiver.

9.8 Remedies Not Exclusive

No right, power or remedy herein conferred upon or reserved to the Holder or any Receiver is intended to be exclusive of any other right, power or remedy or remedies, and each and every right, power and remedy shall, to the extent permitted by Applicable Law, be cumulative and shall be in addition to every other right, power or remedy given hereunder or now or hereafter existing at law, in equity or by statute. The Holder shall have the power to waive any default, provided no such waiver shall be effective unless made in writing by the Holder and shall not constitute a waiver of any other or subsequent default. No delay or omission of the Holder in the exercise of any right, power or remedy accruing upon any default shall impair any such right, power or remedy or shall be construed to be a waiver of any such default or an acquiescence therein. Every right, power and remedy given to the Holder or to a Receiver by this Debenture or under Applicable Law may be exercised from time to time and as often as may be deemed expedient by the Holder or such Receiver, as applicable. In case the Holder shall have proceeded to enforce any right under this Debenture and the proceedings for the enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Holder, then and in every such case the Corporation and the Holder shall, without any further action hereunder, to the full extent permitted by Applicable Law, subject to any determination in such proceedings, severally and respectively, be restored to their former positions and rights hereunder and thereafter all rights, remedies and powers of the Holder shall continue as though no such proceeding had been taken.

9.9 Application of Proceeds

After the occurrence of a Realization Event and subject to all Applicable Laws and the Inter-Lender Agreements, the monies arising from any enforcement in whole or in part of the Charge, or from any sale or realization of the whole or any part of the Collateral, and all incomes, rents and profits of the Collateral, together with any other monies then in the hands of the Holder or any Receiver available for such purpose, shall be applied:

(a) first, to pay, or reimburse, the Holder and any Receiver for the costs, charges, expenses, borrowings, advances and reasonable compensation of the Holder and any Receiver in connection with the exercise and performance of their duties hereunder, with interest thereon as herein provided;

(b) second, in or towards payment of the accrued and unpaid Interest (including interest on overdue and unpaid interest) on this Debenture;

(c) third, in or towards payment of the Principal Sum;

(d) fourth, the surplus, if any, of such monies shall be paid to the Corporation or to whomever may be legally entitled thereto.

9.10 Power of Attorney

The Corporation hereby irrevocably constitutes and appoints the Holder as the Corporation's true and lawful attorney and agent, with full power and authority in the Corporation's name, place and stead from time to time to do all acts and things and execute and deliver all share transfers, certificates, proxies, resolutions, consents, assignments, transfers, conveyances and agreements, in such form as the Holder considers necessary or desirable to do all things which the Corporation is required to sign, execute and do hereunder if the Corporation has failed to sign, execute or do the same and generally to use the name of the Corporation, as applicable, in the exercise of all or any of the powers hereby conferred on the Holder, with full powers of substitution and revocation; provided that this power of attorney may not be exercised by the Holder until a Realization Event shall have occurred. Such appointment and power of attorney is hereby declared by the Corporation to be an irrevocable power coupled with an interest.

ARTICLE 10
TAXES, INDEMNITY AND EXPENSES

10.1 No Set-off and Taxes

The Corporation shall make all payments to the Holder hereunder without any set-off or counterclaim whatsoever and free and clear of, and without deduction for or on account of, any Tax. If any Tax is deducted or withheld from any payments, the Corporation shall promptly remit to the Holder the equivalent of the amounts so deducted or withheld together with such additional amounts as may be necessary so that after making all required deductions or withholdings, including deductions or withholdings applicable to additional amounts paid under this Section 10.1, the Holder shall receive an amount equal to the amount the Holder would have received if no deduction or withholding had been made.

In the event the Corporation has made a payment pursuant to this Section 10.1 and the Holder determines thereafter that the Holder has been granted or received a credit, refund or remission in respect of the Tax for which the deduction was made, then the Holder shall refund to the Corporation such amount (if any) as the Holder determines in good faith will leave the Holder in no worse position than would have been the case if there had been no obligation to make such deduction or withholding in the first place. The Holder shall not be obligated to provide to the Corporation copies of all or any part of the Holder's tax returns, financial statements or other corporate financial data by reason of any such matter.

10.2 General Indemnity

The Corporation hereby covenants with the Holder that the Corporation shall at all times hereafter keep the Holder indemnified and held harmless from and against all suits (whether founded or unfounded), actions, proceedings, judgments, demands or claims asserted, instituted or made against the Holder, and all costs, losses, liabilities (including Environmental Liabilities), damages and expenses (including all legal fees on a solicitor and his own client, full indemnity, basis) incurred by the Holder in any way relating to, arising out of, or incidental to any of the transactions contemplated by this Debenture except if caused by the gross negligence or wilful misconduct of the Holder. If and for so long as no Realization Event has occurred and is continuing, the Corporation, at the Corporation's option, shall be entitled to conduct the defence of such suit, action or proceeding with the participation of and taking into account the best interests of the Holder. If the Holder shall determine in good faith that a conflict of interest exists or the defence of any such suit, action or proceeding is not being conducted in the best interests of the Holder, the Holder shall on notice to the Corporation (and for the account of the Corporation) be entitled to take over the sole conduct of the defence of such suit, action or proceeding. This indemnity shall extend to the benefit of the present and future officers, directors, employees, agents, unitholders and assignees of the Holder and it shall survive the cancellation of this Debenture.

10.3 Expenses

(a) All statements, reports, certificates, opinions and other documents or information required to be furnished to the Holder by the Corporation under this Debenture shall be supplied by the Corporation without cost to the Holder.

(b) If the Corporation fails to pay any amounts required to be paid by the Corporation under this Debenture or if the Corporation fails or to observe or perform any of the covenants and obligations set forth in this Debenture to be observed or performed by the Corporation, the Holder and any Receiver may, but shall be under no obligation to, pay such amounts or do such act or things as may be required to ensure such observance and performance, without waiving any of the Holder's or such Receiver's rights under this Debenture. No such payment, act or thing by the Holder or any Receiver shall relieve the Corporation from any default under this Debenture or the consequences of such default. The reasonable expenses (including the cost of any insurance and payment of Taxes or other charges and legal fees and expenses on a solicitor and his own client, full indemnity, basis) paid by the Holder or any Receiver shall be deemed advanced to the Corporation by the Holder or such Receiver, shall become part of the Obligations, and shall, from the time they are paid by the Holder or such Receiver until repaid by the Corporation, bear interest at the Interest Rate.

(c) The Corporation shall pay all reasonable expenses (including legal fees and expenses on a solicitor and his own client, full indemnity, basis) incurred by the Holder or any Receiver in connection with the preparation, perfection, execution, protection, enforcement of and advice with respect to this Debenture (including the realization, disposition, retention, protection or collection of the Collateral or any part thereof and the protection and enforcement of the rights of the Holder and any Receiver hereunder together with all remuneration paid to a Receiver and all costs, charges and expenses of or incidental to any receivership) and such expenses shall become part of the Obligations and shall be paid within three Business Days after receipt by the Corporation of an invoice for the same, and shall, from the time they are paid by the Holder or such Receiver until repaid by the Corporation, bear interest at the Interest Rate.

ARTICLE 11
TRANSFER OF DEBENTURE

11.1 Register of the Debenture

The Corporation shall keep or cause to be kept a register in which the Holder of this Debenture shall be registered. The name and address of each holder of this Debenture and particulars of this Debenture held shall be entered in the register. For the purposes of this Debenture, the Corporation may treat the Person registered as the Holder as the beneficial owner thereof for all purposes.

11.2 Transfer of the Debenture

This Debenture and the Shares issuable upon exercise of the Conversion Right may not be transferred unless an exemption from the prospectus and registration requirements under Applicable Securities Laws is available.

11.3 U.S. Transferee

This Debenture and the Shares issuable upon exercise of the Conversion Right have not been registered under the U.S. Securities Act, or the securities laws of any state of the United States, and may not be transferred in the United States or to a U.S. Person unless this Debenture and the Shares issuable upon exercise of the Conversion Right have been registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available.

11.4 Exchange of Debenture

Any one or more Debentures may, upon compliance with the reasonable requirements of the Corporation (including compliance with Applicable Securities Laws), be exchanged for one or more other Debentures representing the same aggregate Principal Sum as represented by this Debenture so exchanged. Any Debenture tendered for exchange shall be cancelled and surrendered by the Holder to the Corporation.

11.5 Replacement Debenture

If this Debenture becomes mutilated or is lost, destroyed or stolen, the Corporation, subject to Applicable Law, shall issue and deliver, a new debenture of like tenor as the one mutilated, lost, destroyed or stolen in exchange for and in place of and upon cancellation of this Debenture. The Holder shall bear the cost of the issue of a replacement Debenture and in case of loss, destruction or theft shall, as a condition precedent to the issuance thereof, furnish to the Corporation such evidence of ownership and of the loss, destruction or theft of this Debenture as shall be satisfactory to the Corporation, acting reasonably, and the Holder may also be required to furnish an indemnity or security in amount and form satisfactory to the Corporation and shall pay the reasonable charges of the Corporation in connection therewith.

ARTICLE 12
SUCCESSOR CORPORATION

12.1 Restriction on and in each case etc.

The Corporation shall not enter into any Merger Transaction whereby all or substantially all of the Corporation's undertaking, property and assets would become the property of:

(a) any other Person; or

(b) in the case of an amalgamation or merger, of the continuing corporation resulting therefrom;

(in this Section 12.1, such other Person or continuing corporation, as the case may be, is hereinafter referred to as a "**Successor Corporation**"),

unless the Corporation has obtained the consent of the Holder under Section 7.3(i) if required, and the Successor Corporation shall execute, prior to or contemporaneously with the consummation of the Merger Transaction, such instruments, if any, as are in the opinion of counsel to the Holder necessary or advisable to evidence:

(c) the assumption by the Successor Corporation of liability for the due and punctual payment and performance of the Obligations;

(d) the agreement of the Successor Corporation to observe and perform all the other covenants and obligations of the Corporation under this Debenture; and

(e) the enforceability of this Debenture against the Successor Corporation.

ARTICLE 13
MISCELLANEOUS

13.1 Severability

If any one or more of the provisions or parts thereof contained in this Debenture should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

(a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and

(b) the invalidity, illegality or unenforceability of any provision or any part thereof contained in this Debenture in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Debenture in any other jurisdiction.

13.2 Laws of Alberta

This Debenture shall be deemed to have been made and shall be construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall be treated in all respects as an Alberta contract. The Corporation hereby irrevocably submits to the jurisdiction of the courts of the Province of Alberta for any action, suit or any other proceeding arising out of or relating to this Debenture and any other agreement or instrument mentioned therein or any of the transactions contemplated thereby.

13.3 Notices

All notices, reports or other communication required or permitted by this Debenture must be in writing and either delivered by hand or by any form of electronic communication by means of which a written or typed copy is produced by the receiver thereof and is effective on actual receipt unless sent by electronic means in which case it is effective on the Business Day next following the date of transmission, addressed to the relevant party, as follows:

(a) if to the Corporation:

Enseco Energy Services Corp.
500, 500 – 4th Ave SW
Calgary, AB T2P 2V6

Attention: Chief Financial Officer
Fax.: (403) 806-0084

(b) if to the Holder:

[redacted]

Attention: President
Fax: [redacted]

or the last address or telecopier number of the party concerned, notice of which was given in accordance with this Section 13.3.

13.4 Enurement

This Debenture and all its provisions shall enure to the benefit of the Holder, its successors and assigns and shall be binding upon the Corporation, its successors and assigns.

13.5 Time of Essence

Time shall be of the essence hereof.

13.6 No Amendment or Waiver

Notwithstanding any other provisions of this Debenture, no amendment or waiver of any provisions of this Debenture, nor consent to any departure by the Corporation therefrom, shall in any event be effective unless the same shall be in writing and signed by an officer of the Holder and, in the case of amendments, the Corporation, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given and shall not extend to or be taken in any manner whatsoever to affect any subsequent breach or default or to affect the rights of the Holder resulting therefrom.

APPENDIX 1

To the $3,000,000 Subordinated Secured Convertible Debenture due February 17, 2011, issued by Enseco Energy Services Corp.

PERMITTED ENCUMBRANCES

"Permitted Encumbrances" means as of any particular time in relation to the Collateral any of the following Security Interests or rights:

(a) Security Interests for taxes, assessments or governmental charges which are not due or delinquent, or the validity of which the Corporation shall be contesting in good faith;

(b) Security Interests for any judgment rendered, or claim filed, against the Corporation which the Corporation shall be contesting in good faith;

(c) liens imposed or permitted by law such as carriers' liens, builders' liens, materialmens' liens and other liens, privileges or other charges of a similar nature which relate to obligations not due or delinquent or if due or delinquent, any lien, privilege or charge which the Corporation shall be contesting in good faith;

(d) Security Interests arising in the ordinary course of and incidental to construction or current operations which have not been filed pursuant to law against the Corporation or in respect of which no steps or proceedings to enforce such Security Interests have been initiated or which relate to obligations which are not due or delinquent or if due or delinquent, any Security Interests which the Corporation shall be contesting in good faith;

(e) Security Interests in favour of a public utility or any municipality or governmental or other authority when required by such public utility or municipality or other authority in connection with the operations of the Corporation in the ordinary course of business, which in the aggregate do not detract materially from the value of any part of the Collateral or its use in the operations of the Corporation;

(f) any Security Interest or trust arising in connection with workers' compensation, employment insurance, pension and employment laws or regulations;

(g) easements, rights-of-way, servitudes or other similar rights in land (including rights-of-way and servitudes for railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables) granted to or reserved or taken by other Persons which singly and in the aggregate do not materially detract from the value of the land concerned or materially impair its use in the operation of the business of the Corporation;

(h) surface rights for railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables granted to or reserved or taken by other Persons which singly and in the aggregate do not materially detract from the value of the land concerned or materially impair its use in the operation of the business of the Corporation;

(i) purchase money Security Interests, upon or in any property acquired or held by the Corporation in the ordinary course of business to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and Security Interests existing on such property at the time of its acquisition (other than any such Security Interest created in contemplation of such acquisition);

(j) Security Interests securing the performance of bids, tenders, leases, contracts (other than for the repayment of borrowed money), statutory obligations, surety and appeal bonds and performance bonds and other obligations of like nature, incurred as an incident to and in the ordinary course of business;

(k) Security Interests in favour of a Senior Lender;

(l) Security Interests hereof or otherwise in favour of the Holder; and

(m) any other Security Interest approved in writing by the Holder.