

**FLOW-THROUGH SPECIAL WARRANT INDENTURE**

Providing for the Issuance of  
Flow-Through Special Warrants

- Between -

**TWOCO PETROLUEMS LTD.**

- and -

**CIBC MELLON TRUST COMPANY**

Dated as of December 22, 2003

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**THIS FLOW-THROUGH SPECIAL WARRANT INDENTURE** made effective as of the 22nd day of December, 2003.

**BETWEEN:**

**TWOCO PETROLEUMS LTD.** a corporation incorporated under the laws of the Province of Alberta, having an office in the City of Calgary, in the Province of Alberta (hereinafter referred to as the "Corporation")

- and -

**CIBC MELLON TRUST COMPANY**, a trust company existing under the laws of Canada, having an office in the City of Calgary, in the Province of Alberta (hereinafter referred to as the "Trustee")

**WHEREAS:**

- A. the Corporation is proposing to issue Flow-Through Special Warrants in the manner herein set forth;
- B. one Flow-Through Special Warrant shall, subject to adjustment, entitle the holder thereof to acquire one Common Share at no additional cost upon the terms and conditions herein set forth; and
- C. all acts and deeds necessary have been done and performed to make the Flow-Through Special Warrants, when issued as provided in this Indenture, valid and binding upon the Corporation with the benefits and subject to the terms of this Indenture.

The foregoing statements of fact and recitals are made by the Corporation and not the Trustee.

**NOW THEREFORE** the parties hereto agree as follows:

**ARTICLE 1  
INTERPRETATION**

**1.1 Definitions**

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

- (a) "Applicable Legislation" means the provisions of the *Business Corporations Act*, R. S. A. 2000, c. B-9, as from time to time amended, and any statute of Canada or a province thereof, and the regulations under any such named or other statute, relating to trust indentures or to the rights, duties and obligations of trustees and of corporations under trust indentures, to the extent that such provisions are at the time in force and applicable to this Indenture;
- (b) "Business Day" means a day which is not Saturday or Sunday or a holiday in the City of Calgary, Alberta;
- (c) "Common Shares" means fully paid and non-assessable common shares of the Corporation as presently constituted;

- (d) "Corporation's Auditors" means such firm of chartered accountants as may be duly appointed as auditors of the Corporation from time to time;
- (e) "Counsel" means a barrister or solicitor or a firm of barristers and solicitors retained by the Trustee or retained by the Corporation and acceptable to the Trustee;
- (f) "Current Market Price" of the Common Shares at any date means, if the Corporation's Common Shares are not listed for trading on any stock exchange, the price of the Common Shares of the Corporation as determined in good faith by the Corporation's directors or if the Corporation is listed for trading on a stock exchange, the weighted average of the trading price per share for such shares for each day there was a closing price for the ten consecutive Trading Days (as selected by the directors of the Corporation) commencing not more than thirty (30) Trading Days before such date on the principal stock exchange on which the Common Shares are listed, or if such shares are not listed on any stock exchange, then on such over-the-counter market as may be selected for such purpose by the directors;
- (g) "Currency" means Canadian Dollars;
- (h) "deemed exercise of Flow-through Special Warrants" means the deemed exercise as described in Section 3.7 hereof;
- (i) "Director" means a director of the Corporation for the time being and, unless otherwise specified herein, reference to action "by the directors" means action by the directors of the Corporation as a board or, whenever duly empowered, action by any committee of such board;
- (j) "Dividends Paid in the Ordinary Course" means cash dividends declared payable on the Common Shares in any fiscal year of the Corporation to the extent that such cash dividends do not exceed, in the aggregate, the greater of (i) 50% of the retained earnings of the Corporation as at the end of its immediately preceding fiscal year; and (ii) 100% of the aggregate consolidated net income of the Corporation, determined before computation of extraordinary items, for its immediately preceding year;
- (k) "Exercise Date" means, with respect to any Flow-Through Special Warrant, the date on which the Warrant Certificate representing such Flow-Through Special Warrant is surrendered for exercise, or otherwise deemed exercised, in accordance with the provisions of Article 3 hereof;
- (l) "Expiry Date" means the earlier of: (i) 5 Business Days after the date upon which a receipt for the Prospectus to be filed by the Corporation with respect to the distribution of the Common Shares upon exercise of the Flow-Through Special Warrants has been issued by the last of the Securities Commissions in each of the Filing Provinces and (ii) one year after the Corporation becomes a reporting issuer in the Filing Provinces;
- (m) "Expiry Time" means 4:30 p.m., Calgary, Alberta time;

- (n) "Filing Provinces" means each of the provinces in which the Corporation is required to file the Prospectus being Alberta, British Columbia and Ontario;
- (o) "Flow-Through Special Warrants" means the flow-through special warrants issued and certified hereunder and for the time being outstanding entitling the holder of each Flow-Through Special Warrant to receive on exercise or deemed exercise, without additional payment, one (1) Common Share;
- (p) "Person" means an individual, body corporate, partnership, trust, trustee, executor, administrator, legal representative or any unincorporated organization;
- (q) "Prospectus" means a final prospectus and any amendment thereto filed by the Corporation with the Securities Commissions, in respect of the distribution of Common Shares upon the exercise of Flow-Through Special Warrants;
- (r) "Shareholder" means a holder of record of one or more Common Shares;
- (s) "Securities Commissions" means the securities commissions or similar regulatory authorities in the Filing Provinces;
- (t) "Subsidiary of the Corporation" or "Subsidiary" means any corporation of which more than fifty (50%) per cent of the outstanding Voting Shares are owned, directly or indirectly, by or for the Corporation, provided that the ownership of such shares confers the right to elect at least a majority of the board of directors of such corporation and includes any corporation in like relation to a Subsidiary;
- (u) "this Flow-Through Special Warrant Indenture", "this Indenture", "herein", "hereby" and similar expressions mean and refer to this Indenture and any indenture, deed or instrument supplemental hereto; and the expressions "Article", "Section", "subsection" and "paragraph" followed by a number mean and refer to the specified article, section, subsection or paragraph of this Indenture;
- (v) "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 TSX Venture Exchange is open for the transaction of business;
- (w) "Transfer Agent" means CIBC Mellon Trust Company or such other transfer agent for the time being of the Common Shares;
- (x) "Trustee" means CIBC Mellon Trust Company or its successors from time to time in the trust hereby created;
- (y) "Voting Shares" means shares of the capital stock of any class of any corporation carrying voting rights under all circumstances, provided that, for the purposes of such definition, shares which only carry the right to vote conditionally on the happening of an event shall not be considered Voting Shares, whether or not such event shall have occurred, nor shall any shares be deemed to cease to be Voting Shares solely by reason of a right to vote accruing to shares of another class or classes by reason of the happening of any such event;

- (z) "Warrant Agency" means the principal office of the Trustee in the City of Calgary, Province of Alberta or such other place as may be designated in accordance with subsection 3.1(c);
- (aa) "Warrant Certificate" means a certificate issued pursuant to this Indenture to evidence Flow-Through Special Warrants;
- (bb) "Warrantholders" or "holders" without reference to Common Shares means the persons who, on and after the Closing Date, are registered owners of Flow-Through Special Warrants;
- (cc) "Warrantholders' Request" means an instrument signed in one or more counterparts by Warrantholders entitled to acquire in the aggregate not less than 25% of the aggregate number of Common Shares which could be acquired upon the exercise of all Flow-Through Special Warrants then unexercised and outstanding, requesting the Trustee to take some action or proceeding specified therein; and
- (dd) "written order of the Corporation", "written request of the Corporation", "written consent of the Corporation" and "certificate of the Corporation" mean, respectively, a written order, request, consent and certificate signed in the name of the Corporation by its President, and may consist of one or more instruments so executed.

## **1.2 Gender and Number**

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

## **1.3 Interpretation Not Affected by Headings, etc.**

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

## **1.4 Day Not A Business Day**

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

## **1.5 Time of Essence**

Time shall be of the essence in this Indenture.

## **1.6 Applicable Law**

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

**ARTICLE 2**  
**ISSUE OF FLOW-THROUGH SPECIAL WARRANTS**

**2.1 Issue of Flow-Through Special Warrants**

- (a) 1,176,500 Flow-Through Special Warrants are hereby created and authorized to be issued.
- (b) The Flow-through Special Warrants are hereby created and authorized to be issued and shall be executed by the Corporation and certified by or on behalf of the Trustee upon the written order of the Corporation and delivered by the Trustee to the Corporation in accordance with the written direction of the Corporation.

**2.2 Form and Terms of Flow-Through Special Warrants**

- (a) The Warrant Certificates (including all replacements issued in accordance with this Indenture) shall be substantially in the form set out in Schedule "A" hereto or such other form as the Corporation shall specify, shall be dated as of the date of issuance, (regardless of the actual dates of their issue) shall bear such distinguishing letters and numbers as the Corporation may, with the approval of the Trustee, prescribe, and shall be issuable in any denomination excluding fractions.
- (b) Warrant Certificates may be engraved, lithographed, printed or partly in one form and partly in another, as the Corporation, with the approval of the Trustee, may determine.
- (c) Each Flow-Through Special Warrant authorized to be issued hereunder shall entitle the holder thereof, upon exercise or deemed exercise as provided in Section 3.7 hereof, to acquire one (1) Common Share, subject to adjustment in accordance with Article 4 hereof, at any time after the date of issuance until the Expiry Time on the Expiry Date at no additional cost to the holder.
- (d) No fractional Flow-Through Special Warrants shall be issued or otherwise provided for hereunder.
- (e) The number of Common Shares which may be acquired pursuant to the Flow-Through Special Warrants shall be adjusted in the event and in the manner specified in Article 4.

**2.3 Warrantholder Not A Shareholder**

Except as provided for in subsection 5.2(h), nothing in this Indenture or in the holding of a Flow-Through Special Warrant or Warrant Certificate or otherwise, shall, in itself, confer or be construed as conferring upon a Warrantholder any right of interest whatsoever as a Shareholder or as any other shareholder of the Corporation, including, but not limited to, the right to vote at, to receive notice of, or to attend, meetings of shareholders or any other proceedings of the Corporation, or the right to receive dividends and other distributions.

## **2.4 Flow-Through Special Warrants To Rank *Pari Passu***

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

## **2.5 Signing of Warrant Certificates**

The Warrant Certificates shall be signed by any one director or officer of the Corporation and may, but need not, be under corporate seal of the Corporation or a reproduction thereof. The signature of such director or officer may be mechanically reproduced in facsimile engraved, printed or lithographed and Warrant Certificates bearing such facsimile signature shall be binding upon the Corporation as if it had been manually signed by such director or officer. Notwithstanding that any person whose manual or facsimile signature appears on any Warrant Certificate as a director or officer may no longer hold office at the date of such Warrant Certificate or at the date of certification or delivery thereof, any Warrant Certificate signed as aforesaid shall, subject to Section 2.6, be valid and binding upon the Corporation and the holder thereof shall be entitled to the benefits of this Indenture.

## **2.6 Certification By the Trustee**

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

## **2.7 Issue In Substitution For Warrant Certificates Lost, etc.**

- (a) In case any of the Warrant Certificates shall become mutilated or be lost, destroyed or stolen, the Corporation, subject to applicable law, shall issue and thereupon the Trustee shall certify and deliver, a new Warrant Certificate of like tenor as the one mutilated, lost, destroyed or stolen in exchange for and in place of and upon cancellation of such mutilated Warrant Certificate, or in lieu of and in substitution for such lost, destroyed or stolen Warrant Certificate, and the substituted Warrant Certificate shall be in a form approved by the Trustee and the Flow-Through Special Warrants evidenced thereby shall be entitled to the benefits hereof and shall rank equally in accordance with its terms with all other Flow-Through Special Warrants issued or to be issued hereunder.

- (b) The applicant for the issue of a new Warrant Certificate pursuant to this Section 2.7 shall bear the cost of the issue thereof and in case of loss, destruction or theft shall, as a condition precedent to the issue thereof, furnish to the Corporation and to the Trustee such evidence of ownership and of the loss, destruction or theft of the Warrant Certificate so lost, destroyed or stolen as shall be satisfactory to the Corporation and to the Trustee in their sole discretion, and such applicant may also be required to furnish an indemnity or security in amount and form satisfactory to the Corporation and the Trustee in their discretion and shall pay the reasonable charges of the Corporation and the Trustee in connection therewith.

## **2.8 Exchange of Warrant Certificates**

- (a) Warrant Certificates representing any number of Flow-Through Special Warrants may, upon compliance with the reasonable requirements of the Trustee, be exchanged for another Warrant Certificate or Warrant Certificates representing the same aggregate number of Flow-Through Special Warrants as represented under the Warrant Certificate or Warrant Certificates so exchanged.
- (b) Warrant Certificates may be exchanged only at the Warrant Agency or at any other place that is designated by the Corporation with the approval of the Trustee. Any Warrant Certificate tendered for exchange shall be cancelled and surrendered by the Warrant Agency to the Trustee. The Corporation shall provide blank inventory to carry out the necessary exchanges.

## **2.9 Charges For Exchange**

Except as otherwise herein provided, the Warrant Agency may charge to the holder requesting an exchange a reasonable sum for each new Warrant Certificate issued in exchange for Warrant Certificate(s), and payment of such charges and reimbursement of the Trustee or the Corporation for any and all stamp taxes or governmental or other charges required to be paid shall be made by such holder as a condition precedent to such exchange.

## **2.10 Transfer and Ownership of Flow-Through Special Warrants**

The Flow-Through Special Warrants may only be transferred on the register kept at the Warrant Agency by the holder or its legal representatives or its attorney duly appointed by an instrument in writing in form and execution satisfactory to the Trustee only upon surrendering to the Trustee the Warrant Certificate representing the Flow-Through Special Warrants to be transferred, with the transfer form thereon duly completed and executed by the Warranholder or its legal representative or its duly appointed attorney, together with evidence of authority of any such legal representative or attorney and, if required by such transfer form with such signature properly guaranteed, and upon compliance with the conditions herein, such reasonable requirements as the Trustee may prescribe, and all applicable securities legislation and requirements of regulatory authorities, such transfer shall be duly noted in such register by the Trustee. Upon compliance with such requirements, the Trustee shall issue to the transferee a Warrant Certificate representing the Flow-Through Special Warrants transferred.

The Trustee shall cause to be kept:

- (a) by and at the principal offices of the Trustee in Calgary, Alberta, a register of holders in which shall be entered in alphabetical order the names and addresses of the holders and particulars of the Flow-Through Special Warrants held by them; and

- (b) by and at the principal office in Calgary, Alberta, of the Trustee, a register of transfers in which all transfers of Flow-Through Special Warrants and the date and other particulars of each transfer shall be entered.

No transfer of any Flow-Through Special Warrants will be valid unless duly entered on the appropriate register, upon the surrender to the Trustee of the Warrant Certificate, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee executed by, the registered holder or his executors, administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and execution satisfactory to the Trustee, and, upon compliance with such requirements and other reasonable requirements as the Trustee may prescribe, such transfer will be duly noted on the register of transfers by the Trustee.

The transferee of any Flow-Through Special Warrant will, after surrender to the Trustee at its principal office in Calgary, Alberta of the Warrant Certificates as required above and upon compliance with all other conditions in respect thereof required by this Indenture or by law, be entitled to be entered in the register as the owner of such Flow-Through Special Warrant free and clear from all equities or rights of set-off or counterclaim between the Corporation and his transferor or any previous holder of such Flow-Through Special Warrant, except in respect of which the Corporation is required to take notice by statute or by order of a court competent jurisdiction.

The Corporation and the Trustee will deem and treat the registered owner of any Flow-Through Special Warrant as the beneficial owner thereof for all purposes and neither the Corporation nor the Trustee shall be affected by any notice to the contrary, except as required by statute or by order of a court of competent jurisdiction.

Subject to the provisions of this Indenture and applicable law, the Warranholder shall be entitled to the rights and privileges evidenced thereby free from all equities and rights of set off or counterclaim between the Corporation and the original or any intermediate holder thereof and all persons may act accordingly. The issuance of Common Shares by the Corporation upon the exercise of Flow-Through Special Warrants by any Warranholder in accordance with the terms and conditions herein contained shall discharge all responsibilities of the Corporation and the Trustee with respect to such Flow-Through Special Warrants and neither the Corporation nor the Trustee shall be bound to inquire into the title of any such holder.

### **ARTICLE 3 EXERCISE OF FLOW-THROUGH SPECIAL WARRANTS**

#### **3.1 Method of Exercise of Flow-Through Special Warrants**

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

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

- (b) Any exercise form referred to in subsection 3.1(a) shall be signed by the Warrantholder or by the duly appointed legal representative thereof or a duly authorized attorney, with evidence of authority of any such legal representative or attorney attached thereto, and, if required by the exercise form, with such signature properly guaranteed, and shall specify:
- (i) the number of Common Shares which the holder wishes to acquire (being not more than those which the holder is entitled to acquire pursuant to the Warrant Certificate(s) surrendered);
  - (ii) the person or persons in whose name or names such Common Shares are to be issued with relevant social insurance numbers;
  - (iii) the address or addresses of such persons; and
  - (iv) the number of Common Shares to be issued to each such person if more than one is so specified.

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

- (c) In connection with the exchange of Warrant Certificates, the exercise of Flow-Through Special Warrants and compliance with such other terms and conditions hereof as may be required, the Corporation has appointed the principal offices of the Trustee in Calgary as the agency at which Warrant Certificates may be surrendered for exchange or at which Flow-Through Special Warrants may be exercised and the Trustee has accepted such appointment. The Corporation shall give notice to the Trustee of any change of the Warrant Agency.

### **3.2 Effect of Exercise of Flow-Through Special Warrants**

- (a) Upon compliance by the holder of any Warrant Certificate with the provisions of Section 3.1, and upon deemed exercise of Flow-Through Special Warrants pursuant to Section 3.7, and subject to Section 3.3, the Common Shares subscribed for shall be deemed to have been issued and the person or persons to whom such Common Shares are to be issued shall be deemed to have become the holder or holders of record of such Common Shares on the Exercise Date unless the transfer registers of the Corporation shall be closed on such date, in which case the Common Shares subscribed for shall be deemed to have been issued and such person or persons deemed to have become the holder or holders of record of such Common Shares, on the date on which such transfer registers are reopened.
- (b) Within 5 Business Days after the Exercise Date of a Flow-Through Special Warrant as set forth above, the Corporation shall cause to be mailed to the person or persons in whose name or names the Common Shares so subscribed for have been issued, as specified in the subscription, at the address specified in such subscription or, if so specified in such subscription, cause to be delivered to

such person or persons at the Warrant Agency where the Warrant Certificate was surrendered, a share certificate or certificates for the appropriate number of Common Shares.

- (c) In the event of the exercise of Flow-Through Special Warrants prior to the Corporation obtaining a receipt for the Prospectus from each of the Securities Commissions, the Corporation may, on the advice of Counsel, endorse the certificates representing the Common Shares issued on such exercise to the effect that such shares are subject to trading restrictions under applicable securities legislation.

### **3.3 Partial Exercise of Flow-Through Special Warrants; Fractions**

- (a) The holder of any Flow-Through Special Warrants may acquire a number of Common Shares less than the number which the holder is entitled to acquire pursuant to the surrendered Warrant Certificate(s) provided that, in no event shall fractional Common Shares be issued with regard to Flow-Through Special Warrants exercised. In the event of any acquisition of a number of Common Shares less than the number which the holder is entitled to acquire, the holder of the Flow-Through Special Warrants upon exercise thereof shall, in addition, be entitled to receive, without charge therefor, a new Warrant Certificate(s) in respect of the balance of the Common Shares which such holder was entitled to acquire pursuant to the surrendered Warrant Certificate(s) and which were not then acquired.
- (b) Notwithstanding anything herein contained including any adjustment provided for in Article 4, the Corporation shall not be required, upon the exercise of any Flow-Through Special Warrants, to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. In lieu of fractional Common Shares, there shall be paid by the Corporation to the holder upon surrender of Warrant Certificate(s) for exercise of Flow-Through Special Warrants pursuant to Section 3.1, within ten (10) Business Days after the Exercise Date, an amount in lawful money of Canada equal to the then Current Market Price as determined by the Corporation of such fractional interest, provided there shall be no cheque issued for less than \$5.00.

### **3.4 Expiration of Flow-Through Special Warrants**

Immediately after the Expiry Time on the Expiry Date, all rights under any Flow-Through Special Warrants in respect of which the right of acquisition herein and therein provided for shall not have been exercised shall cease and terminate and such Flow-Through Special Warrant shall be void and of no further force or effect.

### **3.5 Cancellation of Surrendered Flow-Through Special Warrants**

All Warrant Certificates surrendered to the Warrant Agency pursuant to Sections 2.7, 2.8, 2.10, 3.1, 3.3 and 5.1 shall be returned to the Trustee for cancellation and, after the expiry of any period of retention prescribed by law, destroyed by the Trustee and, upon written request by the Corporation the Trustee shall furnish to the Corporation a destruction certificate identifying the Warrant Certificates so destroyed and the number of Flow-Through Special Warrants evidenced thereby.

### **3.6 Accounting and Recording**

- (a) The Trustee shall promptly account to the Corporation with respect to Flow-Through Special Warrants exercised. Any securities or other instruments, from time to time received by the Trustee shall be received in trust for, and shall be segregated and kept apart by the Trustee, in trust for the Corporation.
  
- (b) The Trustee shall record the particulars of Flow-Through Special Warrants exercised which shall include the names and addresses of the persons who become holders of Common Shares on exercise and the Exercise Date. Within 5 Business Days of each Exercise Date, the Trustee shall provide such particulars in writing to the Corporation. The Trustee may rely on the address provided by each holder in their form of exercise for the purposes of determining residency.

### **3.7 Deemed Exercise**

At the Expiry Time on the Expiry Date, the rights of all holders of Flow-Through Special Warrants to acquire Common Shares shall be deemed to be exercised by the holder without any further action on the part of the Warrantheolders and the Common Shares issuable thereby shall be deemed to be issued to the holder or holders of record of the Flow-Through Special Warrants at such time.

Upon deemed exercise of the Flow-Through Special Warrants, the Corporation shall cause to be mailed to the Warrantheolders to the address on the registers of the Trustee, a certificate or certificates for the appropriate number of Common Shares, whether or not the Warrantheolders shall have surrendered their Warrant Certificates to the Trustee.

### **3.8 Securities Restrictions**

Notwithstanding anything herein contained, Common Shares will only be issued pursuant to any Flow-Through Special Warrant in compliance with the securities laws of any applicable jurisdiction and, without limiting the generality of the foregoing, in the event that Flow-Through Special Warrants are exercised pursuant to Section 3.1 prior to the issuance of a receipt for the Prospectus by the Securities Commissions, the certificates representing the Common Shares issued thereby will bear such legend as may, in the opinion of counsel of the Corporation, be necessary in order to avoid a violation of any securities laws of any province in Canada or other jurisdiction or to comply with the requirements of any stock exchange on which the Common Shares are listed, provided that, if at any time, in the opinion of counsel to the Corporation, such legends are no longer necessary in order to avoid a violation of any such laws, or the holder of any such legended certificate, at the holder's expense, provides the Corporation with evidence satisfactory in form and substance to the Corporation (which may include an opinion of counsel satisfactory to the Corporation) to the effect that such holder is entitled to sell or otherwise transfer such Common Shares in a transaction in which such legends are not required, such legended certificate may thereafter be surrendered to the Trustee in exchange for a certificate which does not bear such legend.

**ARTICLE 4**  
**ADJUSTMENT OF NUMBER OF COMMON SHARES**

**4.1 Adjustment of Number of Common Shares**

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

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

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

- (b) if and whenever at any time from the date hereof and prior to the Expiry Time on the Expiry Date, there is a reclassification of the Common Shares or a capital reorganization of the Corporation other than as described in subsection 4.1(a), or a consolidation, amalgamation or merger of the Corporation with or into any other body corporate, trust, partnership or other entity, or a sale or conveyance, of the property and assets of the Corporation as an entirety or substantially as an entirety to any other body corporate, trust, partnership or other entity, any Warrantholder who has not exercised its right of acquisition prior to the effective date of such reclassification, reorganization, consolidation, amalgamation, merger, sale or conveyance, upon the exercise of such right thereafter, shall be entitled to receive and shall accept, in lieu of the number of Common Shares then sought to be acquired by it, the number of shares or other securities or property of the Corporation or of the body corporate, trust, partnership or other entity resulting from such merger, amalgamation or consolidation, or to which such sale or conveyance may be made, as the case may be, that such Warrantholder would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, merger, sale or conveyance, if, on the record date or the effective date thereof, as the case may be, the Warrantholder had been the registered holder of the number of Common Shares sought to be acquired by it. If determined appropriate by the Corporation to give effect to or to evidence the provisions of this subsection 4.1(b), the Corporation, its successor, or such purchasing body corporate, partnership, trust or other entity, as the case may be, shall, prior to or contemporaneously with any such reclassification, reorganization, consolidation, amalgamation, merger, sale or conveyance, enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Indenture with respect to the rights and interests thereafter of the Warrantholders to the end that the

provisions set forth in this Indenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any shares, other securities or property to which a Warrantholder is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Trustee pursuant to the provisions of this subsection 4.1(b) shall be a supplemental indenture entered into pursuant to the provisions of Article 8 hereof. Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing body corporate, partnership, trust or other entity and the Trustee shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provide in this Section 4.1 and which shall apply to successive reclassification, reorganizations, amalgamations, consolidations, mergers, sales or conveyances;

- (c) if and whenever at any time from the date hereof and prior to the Expiry Time on the Expiry Date, the Corporation fixes a record date for the making of a distribution to all or substantially all the holders of its outstanding Common Shares of: (i) shares of any class, other than shares distributed to holders of Common Shares pursuant to their exercise of options to receive dividends in the form of such shares in lieu of Dividends Paid in the Ordinary Course on the Common Shares, or (ii) rights, options or warrants (excluding rights exercisable for 45 days or less where the exercise price per share is not less than 95% of the Current Market Price on such record date), or (iii) evidences of its indebtedness, or (iv) assets (excluding Dividends Paid in the Ordinary Course), including shares of other corporations, any Warrantholder who has not exercised its right of acquisition prior to such record date, upon the exercise of such right thereafter, shall be entitled to receive, without further payment to the Corporation, and shall accept in addition to the number of Common Shares to which it was theretofore entitled upon such exercise, the kind and amount of shares and other securities or property which such holder would have been entitled to receive as a result of such distribution, if, on the record date it had been the registered holder of the number of Common Shares to which it was theretofore entitled upon exercise;
- (d) if and whenever at any time from the date hereof and prior to the Expiry Time on the Expiry Date, the Corporation shall take any action affecting or relating to the Common Shares, other than any action described in this Article 4, which in the opinion of the Corporation would prejudicially affect the rights of any Warrantholders, the number of Common Shares to be issued on the exercise of Flow-through Special Warrants will, subject to the approval of any applicable regulatory authority, be adjusted by the Corporation in such manner, if any, at such time, as the Corporation may in its sole discretion determine to be equitable in the circumstances; and
- (e) the adjustments provided for in this Article 4 in the number of Common Shares and classes of securities which are to be received on the exercise of Flow-Through Special Warrants are cumulative. After any adjustment pursuant to this Section, the term "Common Shares" where used in this Indenture shall be interpreted to mean securities of any class or classes which, as a result of such adjustment and all prior adjustments pursuant to this Section, the Warrantholder is entitled to receive upon the exercise of its Flow-Through Special Warrant, and the number of Common Shares indicated by any exercise made pursuant to a Flow-Through Special Warrant shall be interpreted to mean the number of Common Shares or other property or securities a Warrantholder is entitled to receive, as a result of such adjustment and all prior adjustments pursuant to this Section, upon the full exercise of a Flow-Through Special Warrant.

#### **4.2 Entitlement to Common Shares on Exercise of Flow-Through Special Warrant**

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

#### **4.3 No Adjustment for Stock Options**

Anything in this Article 4 to the contrary notwithstanding, no adjustment shall be made in the acquisition rights attached to the Flow-Through Special Warrants if the issue of Common Shares is being made pursuant to this Indenture or pursuant to any stock option, stock purchase or employee RRSP plan in force from time to time for officers or employees of the Corporation.

#### **4.4 Determination by Corporation's Auditors**

In the event of any question arising with respect to the adjustments provided for in this Article 4, such question shall be conclusively determined by the Corporation's Auditors who shall have access to all necessary records of the Corporation, and such determination shall be binding upon the Corporation, the Trustee, all Warrantholders and all other persons interested therein.

#### **4.5 Proceedings Prior to Any Action Requiring Adjustment**

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

#### **4.6 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 4, deliver a certificate of the Corporation to the Trustee specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which certificate shall be supported by a certificate of the Corporation's Auditors verifying such calculation.

#### **4.7 Notice of Special Matters**

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

#### **4.8 No Action After Notice**

The Corporation covenants with the Trustee that it will not close its transfer books or take any other corporate action which might deprive the holder of a Flow-Through Special Warrant of the opportunity to exercise its right of acquisition pursuant thereto during the period of fourteen (14) days after the giving of the certificate or notices set forth in Section 4.6 and 4.7.

#### **4.9 Protection of Trustee**

Except as provided in Section 9.2, the Trustee:

- (a) shall be entitled to act and rely on any adjustment calculation of the Corporation or the Corporation's Auditors;
- (b) shall not at any time be under any duty or responsibility to any Warrantholder to determine whether any facts exist which may require any adjustment contemplated by Section 4.1, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making the same;
- (c) shall not be accountable with respect to the validity or value (or the kind or amount) of any Common Shares or of any shares or other securities or property which may at any time be issued or delivered upon the exercise of the rights attaching to any Flow-Through Special Warrant;
- (d) shall not be responsible for any failure of the Corporation to issue, transfer or deliver Common Shares or certificates for the same upon the surrender of any Flow-Through Special Warrants for the purpose of the exercise of such rights or to comply with any of the covenants contained in this Article; and
- (e) shall not incur any liability or responsibility whatsoever or be in any way responsible for the consequences of any breach on the part of the Corporation of any of the representations, warranties or covenants herein contained or of any acts of the agents or servants of the Corporation.

**ARTICLE 5**  
**RIGHTS OF THE CORPORATION AND COVENANTS**

**5.1 Optional Purchases By the Corporation**

The Corporation may from time to time purchase by private contract or otherwise any of the Flow-Through Special Warrants. Any such purchase shall be made at the lowest price or prices at which, in the opinion of the directors, such Flow-Through Special Warrants are then obtainable, plus reasonable costs of purchase, and may be made in such manner, from such persons and on such other terms as the Corporation, in its sole discretion, may determine. Any Warrant Certificates representing the Flow-Through Special Warrants purchased pursuant to this Section 5.1 shall forthwith be delivered to and cancelled by the Trustee. No Flow-Through Special Warrants shall be issued in replacement thereof.

**5.2 General Covenants**

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

- (a) it will reserve and keep available such number of Common Shares as is sufficient from time to time for the purpose of enabling it to satisfy its obligations to issue Common Shares upon the exercise of the Flow-Through Special Warrants, in the event that the Corporation does not have an unlimited number of Common Shares authorized;
- (b) it will cause the Common Shares and the certificates representing the Common Shares from time to time acquired pursuant to the exercise of the Flow-Through Special Warrants to be duly issued and delivered in accordance with the Warrant Certificates and the terms hereof;
- (c) all Common Shares which shall be issued upon exercise of the right to acquire provided for herein and in the Warrant Certificates shall be fully paid and non-assessable;
- (d) it will maintain its corporate existence;
- (e) it shall use its best efforts to obtain a receipt for the Prospectus, as soon as practicable, from each of the Securities Commissions so that the resale of the Common Shares, issuable upon the exercise of the Flow-Through Special Warrants will not be subject to the prospectus requirements nor any "hold period" under applicable securities legislation in the Filing Provinces;
- (f) it will make all requisite filings under applicable Canadian securities legislation including those necessary to report the exercise of the right to acquire Common Shares pursuant to Flow-Through Special Warrants;
- (g) it will send or cause to be sent by registered mail a written notice to the Trustee and to each holder of Flow-Through Special Warrants at the address of such holder appearing in the register of Flow-Through Special Warrants maintained pursuant to this Indenture within 5 Business Days of the receipt for a Prospectus in all of the Filing Provinces, if such receipts have been obtained by the Corporation, advising of the issuance of a receipt for the Prospectus by the Securities Commissions;

- (h) if the Corporation pays a dividend or makes any other distribution in cash or property or securities of the Corporation (including rights, options or warrants to acquire Common Shares or securities convertible into or exchangeable for Common Shares and including evidences of its indebtedness) to all or substantially all of the holders of Common Shares prior to the Expiry Date, the Corporation agrees that it will pay the same amount of such dividend or make the same distribution of cash, property or securities to the Trustee on behalf of each of the Warranholders, as if the Warranholder was the holder of the number of Common Shares which the Warranholder is entitled to receive upon the exercise of its Flow-Through Special Warrants and such payments or other distributions shall be held by the Trustee and dealt with in accordance with the terms of this Indenture;
- (i) it will mail a notice to each Warranholder specifying the particulars of each payment or distribution made in accordance with subsection 5.2(h), within 2 Business Days of such payment and distribution;
- (j) generally, it will well and truly perform and carry out all of the acts or things to be done by it as provided in this Indenture or as the Trustee may reasonably require for the better accomplishing and effecting of the intentions and provisions of this Indenture; and
- (k) the Corporation shall send written notice to each holder of Flow-Through Special Warrants advising of the issuance of a receipt for the Prospectus (and, if applicable, an amended Prospectus) by the Securities Commissions and the date on which the Flow-Through Special Warrants expire, together with a copy of the Prospectus (and, if applicable, an amended Prospectus). Such notice shall be sent by prepaid registered mail to each holder of the Flow-Through Special Warrants at the address of each such holder appearing in the register of Flow-Through Special Warrants maintained pursuant to this Indenture within 2 Business Days after the date on which a receipt is issued by Securities Commissions.

### **5.3 Trustee's Remuneration and Expenses**

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

### **5.4 Securities Qualification Requirements**

- (a) If, in the opinion of counsel to the Corporation, any instrument is required to be filed with, or any permission is required to be obtained from any governmental authority in Canada or any other step is required under any federal or provincial law of Canada before any Common Shares which a Warranholder is entitled to acquire pursuant to the exercise of any Flow-Through Special Warrant may properly and legally be issued upon due exercise thereof and thereafter traded,

without further formality or restriction, the Corporation covenants that it will take such required action.

- (b) The Corporation will give notice of the issue of Common Shares pursuant to the exercise of Flow-Through Special Warrants, in such detail as may be required, to each securities commission or similar regulatory authority in each jurisdiction in Canada in which there is legislation or regulation permitting or requiring the giving of any such notice in order that such issue of Common Shares and the subsequent disposition of the Common Shares so issued will not be subject to the prospectus qualification requirements of such legislation or regulation.

## **5.5 Performance of Covenants By Trustee**

If the Corporation shall fail to perform any of its covenants contained in this Indenture, the Trustee may notify the Warranholders of such failure on the part of the Corporation or may itself perform any of the covenants capable of being performed by it but, subject to Section 9.2, shall be under no obligation to perform said covenants or to notify the Warranholders of such performance by it. All sums expended or advanced by the Trustee in so doing shall be repayable as provided in Section 5.3. No such performance, expenditure or advance by the Trustee shall relieve the Corporation of any default hereunder or of its continuing obligations under the covenants herein contained.

## **ARTICLE 6 ENFORCEMENT**

### **6.1 Suits By Warranholders**

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

### **6.2 Immunity of Shareholders, etc.**

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

### **6.3 Limitation of Liability**

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

### **6.4 Waiver of Default**

Upon the happening of any default of the Corporation hereunder:

- (a) the holders of not less than 51% of the Flow-Through Special Warrants then outstanding shall have power (in addition to the powers exercisable by extraordinary resolution as provided in Section 7.10) by requisition in writing to instruct the Trustee to waive any default hereunder and the Trustee shall thereupon waive the default upon such terms and conditions as shall be prescribed in such requisition; or
- (b) the Trustee shall have power to waive any default hereunder upon such terms and conditions as the Trustee on advice of its counsel may deem advisable, if, in the Trustee's opinion, the same shall have been cured or adequate provision made therefore;

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

## **ARTICLE 7 MEETINGS OF WARRANTHOLDERS**

### **7.1 Right To Convene Meetings**

The Trustee may at any time and from time to time, and shall on receipt of a written request of the Corporation or of a Warranholders' Request and upon being indemnified and funded to its reasonable satisfaction by the Corporation or by the Warranholders signing such Warranholders' Request against the cost which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Warranholders. In the event of the Trustee failing to so convene a meeting within seven (7) days after receipt of such written request of the Corporation or such Warranholders' Request and funding and indemnity given as aforesaid, the Corporation or such Warranholders, as the case may be, may convene such meeting. Every such meeting shall be held in the City of Calgary or at such other place as may be approved or determined by the Trustee.

### **7.2 Notice**

At least 10 days prior notice of any meeting of Warranholders shall be given to the Warranholders in the manner provided for in Section 10.2 and a copy of such notice shall be sent by mail to the Trustee (unless the meeting has been called by the Trustee) and to the Corporation (unless the meeting has been called by the Corporation). Such notice shall state the time when and the place where the meeting is to be held, shall state briefly the general nature of the business to be transacted thereat and shall contain such information as is reasonably necessary to enable the Warranholders to make a reasoned decision on the matter, but it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article 7.

### **7.3 Chairman**

An individual (who need not be a Warranholder) designated in writing by the Trustee shall be chairman of the meeting and if no individual is so designated, or if the individual so designated is not present within 15 minutes from the time fixed for the holding of the meeting, the

Warranholders present in person or by proxy shall choose some individual present to be chairman.

#### **7.4 Quorum**

Subject to the provisions of Section 7.11, at any meeting of the Warranholders a quorum shall consist of Warranholders present in person or by proxy and entitled to receive at least 25% of the aggregate number of Common Shares which could be acquired pursuant to the exercise of all the then outstanding Flow-Through Special Warrants, provided that at least two persons entitled to vote thereat are personally present. If a quorum of the Warranholders shall not be present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned by the Warranholders or on a Warranholders' Request, shall be dissolved; but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day, in which case it shall be adjourned to the next following Business Day) at the same time and place and no notice of the adjournment need be given. Any business may be brought before or dealt with at an adjourned meeting which might have been dealt with at the original meeting in accordance with the notice calling the same. No business shall be transacted at any meeting unless a quorum is present at the commencement of business. At the adjourned meeting the Warranholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened, notwithstanding that they may not be entitled to receive at least 25% of the aggregate number of Common Shares which may be received pursuant to the exercise of all the then outstanding Flow-Through Special Warrants.

#### **7.5 Power to Adjourn**

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

#### **7.6 Show of Hands**

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

#### **7.7 Poll and Voting**

On every extraordinary resolution, and on any other question submitted to a meeting and after a vote by show of hands, when demanded by the chairman or by one or more of the Warranholders acting in person or by proxy and entitled to receive in the aggregate at least 5% of the aggregate number of Common Shares which could be acquired pursuant to the exercise of all the then outstanding Flow-Through Special Warrants, a poll shall be taken in such manner as the chairman shall direct. Questions other than those required to be determined by extraordinary resolution shall be decided by a majority of the votes cast on the poll.

On a show of hands, every person who is present and entitled to vote, whether as a Warranholder or as proxy for one or more absent Warranholders, or both, shall have one vote. On a poll, each Warranholder present in person or represented by a proxy duly appointed by instrument in writing shall be entitled to one vote in respect of each whole Common Share which he is entitled to receive pursuant to the exercise of the Flow-Through Special Warrant or Flow-

Through Special Warrants then held or represented by it. A proxy need not be a Warrantholder. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Flow-Through Special Warrants, if any, held or represented by him.

## **7.8 Regulations**

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

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

Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only persons who shall be recognized at any meeting as a Warrantholder, or be entitled to vote or be present at the meeting in respect thereof (subject to Section 7.9), shall be Warrantholders or their counsel, or the duly appointed proxies of Warrantholders.

## **7.9 Corporation and Trustee May be Represented**

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

## **7.10 Power Exercisable by Extraordinary Resolution**

In addition to all other powers conferred upon them by any other provisions of this Indenture or by law, the Warranholders at a meeting shall, subject to the provisions of Section 7.11, have the power, exercisable from time to time by extraordinary resolution:

- (a) to agree to any modification, abrogation, alteration, compromise or arrangement of the rights of Warranholders or the Trustee in its capacity as trustee hereunder (subject to the consent of the Trustee) or on behalf of the Warranholders against the Corporation whether such rights arise under this Indenture or the Warrant Certificates or otherwise;
- (b) to amend, alter or repeal any extraordinary resolution previously passed or sanctioned by the Warranholders;
- (c) to direct or to authorize the Trustee to enforce any of the covenants on the part of the Corporation contained in this Indenture or the Warrant Certificates or to enforce any of the rights of the Warranholders in any manner specified in such extraordinary resolution or to refrain from enforcing any such covenant or right;
- (d) to waive, and to direct the Trustee to waive, any default on the part of the Corporation in complying with any provisions of this Indenture or the Warrant Certificates either unconditionally or upon any conditions specified in such extraordinary resolution;
- (e) to restrain any Warranholder from taking or instituting any suit, action or proceeding against the Corporation for the enforcement of any of the covenants on the part of the Corporation in this Indenture or the Warrant Certificates or to enforce any of the rights of the Warranholders;
- (f) to direct any Warranholder who, as such, has brought any suit, action or proceeding to stay or to discontinue or otherwise to deal with the same upon payment of the costs, charges and expenses reasonably and properly incurred by such Warranholder in connection therewith;
- (g) to assent to any change in, or omission from, the provisions contained in the Warrant Certificates and this Indenture or any ancillary or supplemental instrument which may be agreed to by the Corporation, and to authorize the Trustee to concur in and execute any ancillary or supplemental indenture embodying the change or omission;
- (h) with the consent of the Corporation, to remove the Trustee or its successor in office and to appoint a new trustee or trustees to take the place of the Trustee so removed; and
- (i) to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Corporation.

## **7.11 Meaning of Extraordinary Resolution**

- (a) The expression "extraordinary resolution" when used in this Indenture means, subject as hereinafter provided in this Section 7.11 and in Section 7.14, a

resolution proposed at a meeting of Warranholders duly convened for that purpose and held in accordance with the provisions of this Article 7 at which there are present in person or by proxy Warranholders entitled to receive at least 25% of the aggregate number of Common Shares which may be acquired pursuant to the exercise of all the then outstanding Flow-Through Special Warrants and passed by the affirmative votes of Warranholders entitled to receive not less than 66 2/3% of the aggregate number of Common Shares which may be acquired pursuant to the exercise of all the then outstanding Flow-Through Special Warrants represented at the meeting and vote on the poll upon such resolution.

- (b) If, at the meeting at which an extraordinary resolution is to be considered, Warranholders entitled to acquire at least 25% of the aggregate number of Common Shares which may be received pursuant to the exercise of all the then outstanding Flow-Through Special Warrants are not present in person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by Warranholders or on Warranholders' Request, shall be dissolved; but in any other case shall stand adjourned to such day, being not less than 15 nor more than 60 days later, and to such place and time as appointed by the chairman. Not less than 10 days' prior notice shall be given of the time and place of such adjourned meeting in the manner provided for in Section 10.2. Such notice shall state that at the adjourned meeting the Warranholders present in person or by proxy shall form a quorum but it shall not be necessary to set forth the purposes for which the meeting was originally called or any other particulars. At the adjourned meeting the Warranholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed by the requisite vote as provided in subsection 7.11(a) shall be an extraordinary resolution within the meaning of this Indenture notwithstanding that Warranholders entitled to receive at least 25% of the aggregate number of Common Shares which may be acquired pursuant to the exercise of all the then outstanding Flow-Through Special Warrants are not present in person or by proxy at such adjourned meeting.
- (c) Votes on an extraordinary resolution shall always be given on a poll and no demand for a poll on an extraordinary resolution shall be necessary.

#### **7.12 Powers Cumulative**

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

#### **7.13 Minutes**

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

to have been duly convened and held, and all resolutions passed thereat or proceedings taken shall be deemed to have been duly passed and taken.

#### **7.14 Instruments in Writing**

All actions which may be taken and all powers that may be exercised by the Warranholders at a meeting held as provided in this Article 7 may also be taken and exercised by Warranholders entitled to acquire at least 66 2/3% of the aggregate number of Common Shares which may be received pursuant to the exercise of all the then outstanding Flow-Through Special Warrants by an instrument in writing signed in one or more counterparts by such Warranholders in person or by attorney duly appointed in writing, and the expression "extraordinary resolution" when used in this Indenture shall include an instrument so signed.

#### **7.15 Binding Effect of Resolution**

Every resolution and every extraordinary resolution passed in accordance with the provisions of this Article 7 at a meeting of Warranholders shall be binding upon all the Warranholders, whether present at or absent from such meeting, and every instrument in writing signed by Warranholders in accordance with Section 7.14 shall be binding upon all the Warranholders, whether signatories thereto or not, and each and every Warranholder and the Trustee (subject to the provisions for indemnity herein contained) shall be bound to give effect accordingly to every such resolution and instrument in writing.

#### **7.16 Holdings By Corporation Disregarded**

In determining whether Warranholders holding Warrant Certificates evidencing the entitlement to receive the required number of Common Shares are present at a meeting of Warranholders for the purpose of determining a quorum or have concurred in any consent, waiver, extraordinary resolution, Warranholders' Request or other action under this Indenture, Flow-Through Special Warrants owned legally or beneficially by the Corporation or any Subsidiary of the Corporation, as identified pursuant to the provisions of Section 10.8, shall be disregarded.

### **ARTICLE 8 SUPPLEMENTAL INDENTURE**

#### **8.1 Provision for Supplemental Indentures for Certain Purposes**

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

- (a) setting forth any adjustments resulting from the application of the provisions of Article 4;
- (b) adding to the provisions hereof such additional covenants and enforcement provisions as, in the opinion of Counsel, are necessary or advisable in the premises, provided that the same are not in the opinion of the Trustee (relying on Counsel) prejudicial to the interests of the Warranholders;
- (c) giving effect to any extraordinary resolution passed as provided in Article 7;

- (d) making such provisions not inconsistent with this Indenture as may be necessary or desirable with respect to matters or questions arising hereunder or for the purpose of obtaining a listing or quotation of the Flow-Through Special Warrants on any stock exchange, provided that such provisions are not, in the opinion of the Trustee on advice of Counsel, prejudicial to the interests of the Warrantholders;
- (e) adding to or altering the provisions hereof in respect of the transfer of Flow-Through Special Warrants, making provision for the exchange of Warrant Certificates, and making any modification in the form of the Warrant Certificates which does not affect the substance thereof;
- (f) modifying any of the provisions of this Indenture, including relieving the Corporation from any of the obligations, conditions or restrictions herein contained, provided that such modification or relief shall be or become operative or effective only if, in the opinion of the Trustee on advice of Counsel, such modification or relief in no way prejudices any of the rights of the Warrantholders or of the Trustee, and provided further that the Trustee may in its sole discretion decline to enter into any such supplemental indenture which in its opinion may not afford adequate protection to the Trustee when the same shall become operative; and
- (g) for any other purpose not inconsistent with the terms of this Indenture, including the correction or rectification of any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions herein, provided that in the opinion of the Trustee the rights of the Trustee (acting on the advice of Counsel) and of the Warrantholders are in no way prejudiced thereby.

## **8.2 Successor Corporations**

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

## **ARTICLE 9 CONCERNING THE TRUSTEE**

### **9.1 Trust Indenture Legislation**

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

## **9.2 Rights and Duties of Trustee**

- (a) In the exercise of the rights and duties prescribed or conferred by the terms of this Indenture, the Trustee shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own wilful misconduct or bad faith.
- (b) The obligation of the Trustee to commence or continue any act, action or proceeding for the purpose of enforcing any rights of the Trustee or the Warranholders hereunder shall be conditional upon the Warranholders furnishing, when required by notice by the Trustee, sufficient funds to commence or to continue such act, action or proceeding and an indemnity reasonably satisfactory to the Trustee to protect and to hold harmless the Trustee against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damage it may suffer by reason thereof. None of the provisions contained in this Indenture shall require the Trustee to expend or to risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers unless funded and indemnified as aforesaid.
- (c) The Trustee may, before commencing or at any time during the continuance of any such act, action or proceeding, require the Warranholders, at whose instance it is acting, to deposit with the Trustee the Flow-Through Special Warrants held by them, for which Flow-Through Special Warrants the Trustee shall issue receipts.
- (d) Every provision of this Indenture that by its terms relieves the Trustee of liability or entitles it to rely upon any evidence submitted to it is subject to the provisions of Applicable Legislation, of this Section 9.2 and of Section 9.3

## **9.3 Evidence, Experts and Advisers**

- (a) In addition to the reports, certificates, opinions and other evidence required by this Indenture, the Corporation shall furnish to the Trustee such additional evidence of compliance with any provision hereof, and in such form, as may be prescribed by Applicable Legislation or as the Trustee may reasonably require by written notice to the Corporation.
- (b) In the exercise of its rights and duties hereunder, the Trustee may, if it is acting in good faith, act and rely as to the truth of the statements and the accuracy of the opinions expressed in statutory declarations, opinions, reports, written requests, consents, or orders of the Corporation, certificates of the Corporation or other evidence furnished to the Trustee pursuant to a request of the Trustee, provided that such evidence complies with Applicable Legislation and that the Trustee complies with Applicable Legislation and that the Trustee examines the same and determines that such evidence complies with the applicable requirements of this Indenture.
- (c) Whenever Applicable Legislation requires that evidence referred to in subsection 9.3(a) be in the form of a statutory declaration, the Trustee may accept such statutory declaration in lieu of a certificate of the Corporation required by any provision hereof. Any such statutory declaration may be made by any one or

more of the chairman or chief financial officer of the Corporation or by any other officer(s) or director(s) of the Corporation to whom such authority is delegated by the directors from time to time. The Trustee may act and rely and shall be protected in acting and relying upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, letter, telegram, cablegram or other paper document believed by it to be genuine and to have been signed, sent or presented by or on behalf of the proper party or parties.

- (d) Proof of the execution of an instrument in writing, including a Warrantholders' Request, by any Warrantholder may be made by the certificate of a notary public, or other officer with similar powers, that the person signing such instrument acknowledged to it the execution thereof, or by an affidavit of a witness to such execution or in any other manner which the Trustee may consider adequate.
- (e) The Trustee may employ or retain such Counsel, accountants, appraisers or other experts or advisers as it may reasonably require for the purpose of determining and discharging its duties hereunder and may pay reasonable remuneration for all services so performed by any of them, without taxation of costs of any Counsel, and shall not be responsible for any misconduct or negligence on the part of any such experts or advisers who have been appointed with due care by the Trustee.
- (f) The Trustee may act and rely and shall be protected in acting and relying in good faith on the opinion or advice of or information obtained from any counsel, accountant, appraiser, engineer or other expert or advisor, whether retained or employed by the Corporation or the Trustee, in relation to any matter arising in the administration of the trusts hereof.

#### **9.4 Documents, Monies, etc. Held By Trustee**

The Trustee may retain any cash balance held in connection with this Indenture and may, but need not, hold the same in its deposit department or the deposit department of one of its Affiliates; but the Trustee and its Affiliates shall not be liable to account for any profit to the Corporation or any other person or entity other than at a rate, if any, established from time to time by the Trustee or its Affiliates.

For the purpose of this Section, "Affiliate" means affiliated companies within the meaning of the *Business Corporations Act* (Ontario) ("OBCA"); and includes Canadian Imperial Bank of Commerce, CIBC Mellon Global Securities Company and Mellon Bank, N.A. and each of their affiliates within the meaning of the OBCA.

#### **9.5 Actions By Trustee To Protect Interest**

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

#### **9.6 Trustee Not Required to Give Security**

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

## **9.7 Protection of Trustee**

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

- (a) the Trustee and its officers, directors, employees and agents shall not be liable for or by reason of any statements of fact or recitals in this Indenture or in the Warrant Certificates (except the representation contained in Section 9.9 or in the certificate of the Trustee on the Warrant Certificates) or be required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Corporation;
- (b) nothing herein contained shall impose any obligation on the Trustee to see to or to require evidence of the registration or filing (or renewal thereof) of this Indenture or any instrument ancillary or supplemental hereto;
- (c) the Trustee shall not be bound to give notice to any person or persons of the execution hereof;
- (d) the Trustee shall not incur any liability or responsibility whatever or be in any way responsible for the consequence of any breach on the part of the Corporation of any of the covenants herein contained or of any acts of any directors, officers, employees, agents or servants of the Corporation; and
- (e) without limiting any protection or indemnity of the Trustee under any other provision hereof, or otherwise at law, the Corporation hereby agrees to indemnify and hold harmless the Trustee and its officers, directors, employees and agents from and against any and all liabilities, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including legal or advisor fees and disbursements, of whatever kind and nature which may at any time be imposed on, incurred by or asserted against the Trustee in connection with the performance of its duties and obligations hereunder, other than such liabilities, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements arising by reason of the negligence, wilful misconduct or bad faith of the Trustee. This provision shall survive the resignation or removal of the Trustee or the termination of this Indenture.

## **9.8 Replacement of Trustee; Successor By Merger**

- (a) The Trustee may resign its trust and be discharged from all further duties and liabilities hereunder, subject to this Section 9.8, by giving to the Corporation not less than 60 days' prior notice in writing or such shorter prior notice as the Corporation may accept as sufficient. The Warrantholders by extraordinary resolution shall have the power at any time to remove the existing Trustee and to appoint a new Trustee. In the event of the Trustee resigning or being removed as aforesaid or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder, the Corporation shall forthwith appoint a new trustee unless a new trustee has already been appointed by the Warrantholders; failing such appointment by the Corporation, the retiring Trustee at the expense of the Corporation or any Warranholder may apply to a justice of the Court of Queen's Bench of the Province of Alberta on such notice as such justice may direct, for the appointment of a new trustee; but any new trustee so appointed by the Corporation or by the Court shall be subject to removal as aforesaid by the Warrantholders. Any new trustee appointed under

any provision of this Section 9.8 shall be a corporation authorized to carry on the business of a trust company in the Province of Alberta and, if required by the Applicable Legislation for any other provinces, in such other provinces. On any such appointment the new trustee shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as Trustee without further assurance, conveyance, act or deed; but there will be immediately executed, at the expense of the Corporation, all such conveyances or other instruments as may, in the opinion of Counsel, be necessary or advisable for the purpose of assuring such powers, rights, duties and responsibilities of the new trustee, provided that, on resignation or removal of the Trustee and appointment of a new Trustee, the new trustee shall have executed an appropriate instrument accepting such appointment and, at the request of the Corporation, the Trustee, upon payment of its outstanding remuneration and expenses, shall execute and deliver to the new trustee an appropriate instrument transferring to such new trustee all rights and powers of the Trustee hereunder.

- (b) Upon the appointment of a successor trustee, the Corporation shall promptly notify the Warrantholders thereof in the manner provided for in Section 10.2 hereof.
- (c) Any corporation into or with which the Trustee may be merged or consolidated or amalgamated, or any corporation resulting therefrom or any corporation succeeding to the trust business of the Trustee shall be the successor to the Trustee hereunder without any further act on its part or any of the parties hereto, provided that such corporation would be eligible for appointment as a successor trustee under subsection 9.8(a).
- (d) Any Warrant Certificates certified but not delivered by a predecessor trustee may be certified by the successor trustee in the name of the predecessor or successor trustee.

## **9.9 Conflict of Interest**

- (a) The Trustee represents to the Corporation that at the time of execution and delivery hereof no material conflict of interest exists between its role as a trustee hereunder and its role in any other capacity and agrees that in the event of a material conflict of interest arising hereafter it will, within 90 days after ascertaining that it has such material conflict of interest, either eliminate the same or assign its trust hereunder to a successor trustee approved by the Corporation and meeting the requirements set forth in subsection 9.8(a).

Notwithstanding the foregoing provisions of this subsection 9.9(a), if any such material conflict of interest exists or hereafter shall exist, the validity and enforceability of this Indenture and the Warrant Certificate shall not be affected in any manner whatsoever by reason thereof.

- (b) The Trustee, in its personal or any other capacity, may buy, lend upon and deal in securities of the Corporation and generally may contract and enter into financial transactions with the Corporation or any Subsidiary of the Corporation without being liable to account for any profit made thereby.

### **9.10 Acceptance of Trust**

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

### **9.11 Trustee not required to give Security**

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

### **9.12 Trustee Not To Be Appointed Receiver**

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

### **9.13 Trustee Not Required To Give Notice of Default**

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

## **ARTICLE 10 GENERAL**

### **10.1 Notice to the Corporation and the Trustee**

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

- (i) If to the Corporation:

TWOCO PETROLEUMS LTD.  
1050, 1122 - 4th Street SW  
Calgary, Alberta T2R 1M1  
Attention: Wayne Malinowski  
Telephone: (403) 231-8653  
Fax: (403) 237-6048

- (ii) If to the Trustee:

CIBC MELLON TRUST COMPANY  
600 The Dome Tower  
333 - 7th Avenue SW  
Calgary, Alberta T2P 2Z1  
Attention: Cathy Sargeant  
Telephone: (403) 232-2412  
Fax: (403) 264-2100

and any such notice delivered in accordance with the foregoing shall be deemed to have been received on the date of delivery or, if mailed, on the 5th Business Day following the date of the postmark on such notice, or if sent by telecopy, when transmitted (with receipt confirmed). For any notices sent by facsimile, the original will be subsequently delivered or mailed postage pre-paid.

- (b) The Corporation or the Trustee, as the case may be, may from time to time notify the other in the manner provided in subsection 10.1(a) of a change of address which, from the effective date of such notice and until changed by like notice, shall be the address of the Corporation or the Trustee, as the case may be, for all purposes of this Indenture.
- (c) If, by reason of a strike, lockout or other work stoppage, actual or threatened, involving postal employees, any notice to be given to the Trustee or to the Corporation hereunder could reasonably be considered unlikely to reach its destination, such notice shall be valid and effective only if it is delivered to the named officer of the party to which it is addressed or, if it is delivered to such party at the appropriate address provided in subsection 10.1(a), by facsimile or other means of prepaid, transmitted and recorded communication.

## **10.2 Notice To Warranholders**

- (a) Any notice to the Warranholders under the provisions of this Indenture shall be valid and effective if sent by mail, postage pre-paid, addressed to such holders at their post office addresses appearing on the register hereinbefore mentioned and shall be deemed to have been effectively given on the date of delivery or, if mailed, 5 Business Days following actual posting of the notice. Accidental error or omission in giving notice or accidental failure to mail notice to any holder will not invalidate any action or proceeding founded thereon. All notices may be given to whichever one of the Warranholders (if more than one) is named first on ten appropriate register hereinbefore mentioned, and any such other persons (if any) interested in such Flow-through Special Warrants.
- (b) If, by reason of a strike, lockout or other work stoppage, actual or threatened, involving postal employees, any notice to be given to the Warranholders hereunder could reasonably be considered unlikely to reach its destination, such notice shall be valid and effective only if published once (i) in the national edition of the Globe and Mail; and (ii) in such other places or places and manner, if any, as the Trustee may require. Any notice given to Warranholders by publication shall be deemed to have been given on the last day on which publications shall have been affected in all of the cities in which publication is required pursuant to Section 10.2.

## **10.3 Ownership and Transfer of Flow-Through Special Warrants**

The Corporation and the Trustee may deem and treat the registered owner of any Flow-Through Special Warrants as the absolute owner thereof for all purposes, and the Corporation and the Trustee shall not be affected by any notice or knowledge to the contrary except where the Corporation or the Trustee is required to take notice under any statute or by order of a court of competent jurisdiction. A Warranholder shall be entitled to the rights evidenced by its Warrant Certificate free from all equities or rights of set-off or counterclaim between the Corporation and the original or any intermediate holder of the Flow-Through Special Warrants and all persons may act accordingly and the receipt of any such Warranholder for the Common Shares which

may be received pursuant thereto shall be a good discharge to the Corporation and the Trustee for the same and neither the Corporation nor the Trustee shall be bound to inquire into the title of any such holder except where the Corporation or the Trustee is required to take notice by statute or by order of a court of competent jurisdiction.

#### **10.4 Evidence of Ownership**

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

#### **10.5 Counterparts**

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

#### **10.6 Satisfaction and Discharge of Indenture**

Upon the earlier of:

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

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

**10.7 Provisions of Indenture and Flow-Through Special Warrants For the Sole Benefit of Parties and Warrantholders**

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

**10.8 Flow-Through Special Warrants Owned By the Corporation or Its Subsidiaries - Certificate To Be Provided**

For the purpose of disregarding any Flow-Through Special Warrants owned legally or beneficially by the Corporation or any Subsidiary of the Corporation in Section 7.16, the Corporation shall provide to the Trustee, from time to time, a certificate of the Corporation setting forth as at the date of such certificate:

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

and the Trustee, in making the computations in Section 7.16, shall be entitled to rely on such certificate without any additional evidence.

**10.9 Successors**

All provisions of this Indenture for the benefit of the Corporation or the Trustee shall bind and enure to the benefit of their respective successors and assigns.

**IN WITNESS WHEREOF** the parties have executed this Indenture effective the date set forth on the first page of this Indenture.

**TWOCO PETROLEUMS LTD.**

Per: Signed by "Wayne A. Malinowski"  
Wayne A. Malinowski, President

**CIBC MELLON TRUST COMPANY**

Per: Signed by "N. Blasett"

Per: Signed by "C. Sargeant"

**THIS IS SCHEDULE "A" to the Flow-Through Special Warrant Indenture made as of December 22, 2003 between TWOCO PETROLEUMS LTD. and CIBC MELLON TRUST COMPANY, as Trustee**

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THE FLOW-THROUGH SPECIAL WARRANTS REPRESENTED BY THIS CERTIFICATE WILL BE VOID AND OF NO VALUE UNLESS EXERCISED BY 4:30 P.M. (CALGARY TIME) ON THE EARLIER OF: (I) ONE YEAR AFTER TWOCO PETROLEUMS LTD. BECOMES A REPORTING ISSUER IN THE FILING PROVINCES; AND (II) THE DATE WHICH IS THE FIFTH (5<sup>TH</sup>) BUSINESS DAY AFTER A RECEIPT FOR THE PROSPECTUS HAS BEEN OBTAINED FROM THE SECURITIES COMMISSIONS IN ALL FILING PROVINCES.

**FLOW-THROUGH SPECIAL WARRANT CERTIFICATE**

**TWOCO PETROLEUMS LTD.**

(INCORPORATED UNDER THE LAWS OF ALBERTA)

FLOW-THROUGH SPECIAL WARRANT  
CERTIFICATE  
NO. ●

● FLOW-THROUGH SPECIAL WARRANTS ENTITLING THE HOLDER TO RECEIVE, SUBJECT TO ADJUSTMENT, ONE (1) COMMON SHARE FOR EACH FLOW-THROUGH SPECIAL WARRANT REPRESENTED HEREBY.

THIS IS TO CERTIFY THAT \_\_\_\_\_ (HEREINAFTER REFERRED TO AS THE "HOLDER") IS ENTITLED TO ACQUIRE IN THE MANNER AND SUBJECT TO THE RESTRICTIONS AND ADJUSTMENTS SET FORTH HEREIN, AT ANY TIME AND FROM TIME TO TIME UNTIL 4:30 P.M. (CALGARY TIME) (THE "EXPIRY TIME") ON THE EARLIER OF:

- (A) ONE YEAR AFTER TWOCO PETROLEUMS LTD. BECOMES A REPORTING ISSUER IN THE FILING PROVINCES; AND
- (B) THE DATE WHICH IS THE FIFTH (5<sup>TH</sup>) BUSINESS DAY AFTER THE DATE OF ISSUANCE OF A RECEIPT BY THE SECURITIES COMMISSION OR SIMILAR REGULATORY AUTHORITY (THE "SECURITIES COMMISSIONS") IN THE PROVINCES OF ALBERTA, ONTARIO AND BRITISH COLUMBIA (THE "FILING PROVINCES") FOR A FINAL PROSPECTUS RELATING TO THE DISTRIBUTION OF COMMON SHARES UPON THE EXERCISE OF FLOW-THROUGH SPECIAL WARRANTS REPRESENTED BY THIS CERTIFICATE (THE "FLOW-THROUGH SPECIAL WARRANTS");

(THE "EXPIRY DATE"),

ONE (1) FULLY PAID AND NON-ASSESSABLE COMMON SHARE ("COMMON SHARE") OF TWOCO PETROLEUMS LTD. (THE "CORPORATION") AS SUCH SHARES WERE CONSTITUTED ON DECEMBER 22, 2003.

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

- (a) duly completing and executing the Exercise Form attached hereto; and
- (b) surrendering this Flow-Through Special Warrant Certificate to CIBC Mellon Trust Company (the "Trustee") at the principal office of the Trustee in the City of Calgary.

These Flow-Through Special Warrants shall be deemed to be surrendered only upon personal delivery hereof or, if sent by mail or other means of transmission, upon actual receipt thereof by the Trustee at the office referred to above.

Upon surrender of these Flow-Through Special Warrants or deemed exercise of the Flow-Through Special Warrants, the person or persons in whose name or names the Common Shares issuable upon exercise of the Flow-Through Special Warrants are to be issued shall be deemed for all purposes (except as provided in the Indenture) to be the holder or holders of record of such Common Shares and the Corporation covenants that it will (subject to the provisions of the Indenture) cause a certificate or certificates representing such Common Shares to be delivered or mailed to the person or persons at the address or addresses specified in the Exercise Form within five (5) Business Days.

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

Immediately following the Expiry Time on the Expiry Date, the rights of all holders of Flow-Through Special Warrants to receive Common Shares shall be deemed to be exercised by the holder without any further action by the holder, and the Common Shares issuable thereby shall be deemed to be issued to the Warrantheolders at such time.

Upon deemed exercise of the Flow-Through Special Warrants, the Corporation shall cause to be mailed to the Warrantheolders to the address on the registers of the Trustee, a certificate or certificates for the appropriate number of Common Shares.

The Flow-Through Special Warrants represented by this certificate are issued under and pursuant to the Indenture. Reference is made to the Indenture and any instruments supplemental thereto for a full description of the rights of the holders of the Flow-Through Special Warrants and the terms and conditions upon which the Flow-Through Special Warrants are, or are to be, issued and held, with the same effect as if the provisions of the Indenture and all instruments supplemental thereto were herein set forth. By acceptance hereof, the holder assents to all provisions of the Indenture. Capitalized terms used in the Indenture have the same meaning herein as therein, unless otherwise defined.

In the event of any alteration of the Common Shares, including any subdivision, consolidation or reclassification, and in the event of any form of reorganization of the Corporation, including any amalgamation, merger or arrangement, the holders of Flow-Through Special Warrants shall,

upon exercise of the Flow-Through Special Warrants following the occurrence of any of those events, be entitled to receive the same number and kind of securities that they would have been entitled to receive had they exercised their Flow-Through Special Warrants immediately prior to the occurrence of those events.

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

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

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

The Flow-Through Special Warrants evidenced by this Flow-Through Special Warrant Certificate may be transferred on the register kept at the offices of the Trustee by the registered holder hereof, or its legal representatives or its attorney duly appointed by an instrument in writing, in form and execution satisfactory to the Trustee, only upon compliance with the conditions prescribed in the Indenture and upon compliance with such reasonable requirements as the Trustee may prescribe.

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

Time shall be of the essence hereof.

This Flow-Through Special Warrant Certificate shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein and shall be treated in all respects as a contract of Alberta.

IN WITNESS WHEREOF the Corporation has caused this Flow-Through Special Warrant Certificate to be signed by its duly authorized officer as of December 22, 2003.

**TWOCO PETROLEUMS LTD.**

Per: \_\_\_\_\_  
Wayne Malinowski, President

Certified by:  
**CIBC MELLON TRUST COMPANY**  
Trustee

By: \_\_\_\_\_

## TRANSFER OF FLOW-THROUGH SPECIAL WARRANTS

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers to \_\_\_\_\_  
\_\_\_\_\_, \_\_\_\_\_ Flow-Through Special Warrants of TWOCO  
PETROLEUMS LTD. registered in the name of the undersigned on the records of CIBC Mellon  
Trust Company, represented by the Warrant Certificate attached hereto.

DATED the \_\_\_\_\_ day of \_\_\_\_\_, 2003.

\_\_\_\_\_  
Signature Guaranteed

\_\_\_\_\_  
(Signature of Warrantholder)

### Instructions:

1. If the Transfer Form is signed by a trustee, executor, administrator, curator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity, the certificate must be accompanied by evidence of authority to sign satisfactory to the Trustee and the Corporation.
2. The signature on the Transfer Form must be guaranteed by an authorized officer of a chartered bank, trust company or an investment dealer who is a member of a recognized stock exchange.
3. The signature of the Warrantholder must be the signature of the person appearing on the face of this Warrant Certificate.
4. Flow-Through Special Warrants shall only be transferable in accordance with applicable laws. The transfer of Flow-Through Special Warrants to a purchaser not resident in a Filing Province may result in the Common Shares obtained upon the exercise of the Flow-Through Special Warrants (whether after or before obtaining receipts for a final prospectus relating to the distribution of Common Shares upon exercise of Flow-Through Special Warrants) not being freely tradeable in the jurisdiction of the purchaser.
5. The signature(s) must be guaranteed by a Schedule "A" major chartered Bank/trust Company, or a member of an acceptable medallion guarantee program. The Guarantor must affix a stamp bearing the actual words "signature guaranteed".

\* Please note - Signature guarantees are not accepted from treasury branches or credit unions unless they are members of the Stamp Medallion Program.

\*\* Please note - In the USA, signature guarantees must be done by members of the "Medallion Signature Guarantee Program" only.

**WARRANT CERTIFICATE**

**TO: TWOCO PETROLEUMS LTD.**

**AND TO: CIBC MELLON TRUST COMPANY**

The undersigned hereby exercises the right to acquire \_\_\_\_\_ Common Shares of TWOCO PETROLEUMS LTD. as constituted on December 22, 2003 (or such number of other securities or property to which such Flow-Through Special Warrants entitle the undersigned in lieu thereof or in addition thereto under the provisions of the Indenture referred to in the attached Warrant Certificate) in accordance with and subject to the provisions of such Indenture.

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

Name: \_\_\_\_\_  
*(Print clearly)*

Social Insurance Number: \_\_\_\_\_

Address in Full: \_\_\_\_\_  
\_\_\_\_\_

Number of Common Shares: \_\_\_\_\_

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

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2003.

\_\_\_\_\_  
Signature Guaranteed

\_\_\_\_\_  
(Signature of Warrantholder)

\_\_\_\_\_  
*Print Full Name*

\_\_\_\_\_  
*Print Full Address*

\_\_\_\_\_

**Instructions:**

1. The registered holder may exercise its right to receive Common Shares by completing this form and surrendering this form and the Warrant Certificate representing the Flow-Through Special Warrants being exercised to CIBC Mellon Trust Company at its office in the City of Calgary. Certificates for Common Shares will be delivered or mailed as soon as practicable after the exercise of the Flow-Through Special Warrants.
2. If the Exercise Form indicates that Common Shares are to be issued to a person or persons other than the registered holder of the Certificate, the signature of such holder on the Exercise Form must be guaranteed by an authorized officer of a chartered bank, trust company or an investment dealer who is a member of a recognized stock exchange.
3. If the Exercise Form is signed by a trustee, executor, administrator, curator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity, the certificate must be accompanied by evidence of authority to sign satisfactory to the Trustee and the Corporation.
4. If the registered holder exercises its right to receive Common Shares prior to a receipt being issued by the applicable securities commission, the Common Shares will be subject to a hold period and may be issued with a legend reflecting such hold period.
5. The signature(s) must be guaranteed by a Schedule "A" major chartered Bank/trust Company, or a member of an acceptable medallion guarantee program. The Guarantor must affix a stamp bearing the actual words "signature guaranteed".

\* Please note - Signature guarantees are not accepted from treasury branches or credit unions unless they are members of the Stamp Medallion Program.

\*\* Please note - In the USA, signature guarantees must be done by members of the "Medallion Signature Guarantee Program" only.