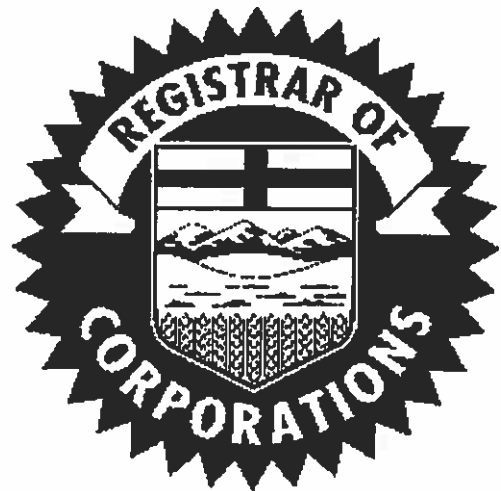




**BUSINESS CORPORATIONS ACT**

**CERTIFICATE  
OF  
AMENDMENT**

**AKITA DRILLING LTD.**  
AMENDED ITS ARTICLES ON 2005/05/26.



BUSINESS CORPORATIONS ACT

Alberta

ARTICLES OF AMENDMENT

1. Name of Corporation

2. Corporate Access Number

AKITA DRILLING LTD.

205446842

3. Pursuant to subsection 173(1)(f) of the *Business Corporations Act* (Alberta), the Articles of the Corporation are hereby amended:

(a) by changing the number of Class A non-voting shares of the Corporation that are currently issued and outstanding on the basis of two (2) new Class A non-voting shares for each one (1) Class A non-voting share presently issued and outstanding; and

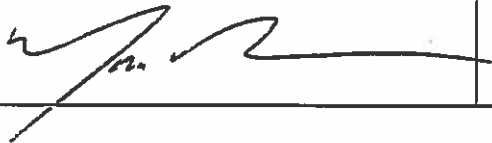
(b) by changing the number of Class B common shares of the Corporation that are currently issued and outstanding on the basis of two (2) new Class B common shares for each one (1) Class B common share presently issued and outstanding.

4.

DATE

May 26, 2005

SIGNATURE



TITLE

B. MARK PASLAWSKI  
Barrister & Solicitor

REGISTERED ON  
THE ALBERTA REGISTRIES  
CORES SYSTEM

MAY 26 2005

CT

**CORPORATE ACCESS NUMBER**

**20544684**

**Alberta**

**BUSINESS CORPORATIONS ACT**

**CERTIFICATE  
OF  
INCORPORATION**

**AKITA DRILLING LTD.**

**WAS INCORPORATED IN ALBERTA ON NOVEMBER 3, 1992**



  
Registrar of Corporations

**PLAN OF ARRANGEMENT UNDER SECTION 186  
OF THE ALBERTA BUSINESS CORPORATIONS ACT**

**ARTICLE 1  
INTERPRETATION**

**1.1 Definitions**

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith:

- (a) "ABCA" means the *Business Corporations Act* (Alberta), being chapter B-15 of the Statutes of Alberta, 1981, as amended;
- (b) "Akita Class A Non-Voting Shares" means the Class A non-voting shares of Akita;
- (c) "Akita Class B Common Shares" means the Class B common shares of Akita;
- (d) "Akita Shares" means the Akita Class A Non-Voting Shares and Akita Class B Common Shares;
- (e) "Akita Special Share" means the share of Akita referred to in section 3.1(d) of this Plan of Arrangement;
- (f) "Akita" means Akita Drilling Ltd., a corporation governed by the ABCA;
- (g) "Arrangement Agreement" means the agreement made November 9th, 1992 among ATCO, Akita and Newco to which this Plan of Arrangement is set out as Exhibit 1 and all amendments made thereto;
- (h) "Arrangement" means the arrangement under the provisions of section 186 of the ABCA, on the terms and conditions substantially as set forth in the Plan of Arrangement or any amendment or variation thereto made in accordance with section 6.1 of the Arrangement Agreement;
- (i) "ATCO Class I Arrangement Shares" means the Class I Arrangement Shares of ATCO referred to in section 3.1(a) of this Plan of Arrangement;
- (j) "ATCO Class II Arrangement Shares" means the Class II Arrangement Shares of ATCO referred to in section 3.1(a) of this Plan of Arrangement;
- (k) "ATCO Class I Non-Voting Shares" means the Class I non-voting shares of ATCO issued and outstanding immediately prior to the implementation of the Arrangement on the Effective Date;
- (l) "ATCO Class II Voting Shares" means the Class II voting shares of ATCO issued and outstanding immediately prior to the implementation of the Arrangement on the Effective Date;
- (m) "ATCO New Class I Non-Voting Shares" means the new Class I non-voting shares of ATCO referred to in section 3.1(b) of this Plan of Arrangement;
- (n) "ATCO New Class II Voting Shares" means the new Class II voting shares of ATCO referred to in section 3.1(b) of this Plan of Arrangement;
- (o) "ATCO Shares" means the Class I non-voting shares and the Class II voting shares of ATCO;
- (p) "ATCO" means ATCO Ltd., a corporation governed by the ABCA;
- (q) "Certificate of Amendment" means the certificate of amendment to be issued by the Registrar giving effect to the Arrangement;

- (r) "Court" means the Court of Queen's Bench of Alberta;
- (s) "Dissenting Shareholders" means holders of ATCO Shares who validly exercise the rights of dissent provided to them in section 4.1 hereof in accordance with section 184 of the ABCA;
- (t) "Effective Date" means the date shown on the Certificate of Amendment;
- (u) "Interim Order" means the order of the Court providing, among other things, for the calling and holding of the Meeting;
- (v) "ITA" means the Income Tax Act (Canada);
- (w) "Newco Common Shares" means the common shares of Newco;
- (x) "Newco" means 534697 Alberta Ltd., a corporation governed by the ABCA;
- (y) "Record Date" means The Toronto Stock Exchange trading day which is nine trading days after the Effective Date;
- (z) "Registrar and Transfer Agent" means The R-M Trust Company at its principal offices in Toronto, Montreal, Winnipeg, Regina, Calgary, Edmonton and Vancouver; and
- (aa) "Registrar" means the Registrar of Corporations appointed under section 253 of the ABCA.

## **1.2 Interpretation Not Affected by Headings**

The divisions of this Plan of Arrangement into articles, sections, paragraphs and other portions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement. The terms "this Plan of Arrangement", "hereof", "herein" and "hereunder" and similar expressions refer to this Plan of Arrangement and the Appendices hereto and not to any particular article, section, paragraph or other portion hereof and include any agreement or instrument supplementary or ancillary hereto. Unless reference is specifically made to some other document or instrument, reference herein to articles, sections and paragraphs are to articles, sections and paragraphs of this Plan of Arrangement.

## **1.3 Extended Meanings**

Unless the context requires the contrary, words importing the singular in number only shall include the plural and vice versa, words importing the use of any gender shall include all genders, and words importing persons shall include individuals, partnerships, associations, trusts, unincorporated organizations, firms and corporations.

## **1.4 Applicable Law**

This Plan of Arrangement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

## **1.5 Appendices**

Appendix I to this Plan of Arrangement is incorporated by reference herein and forms part hereof.

# **ARTICLE 2**

## **ARRANGEMENT AGREEMENT**

### **2.1 Arrangement Agreement**

This Plan of Arrangement is made pursuant to and subject to the provisions of the Arrangement Agreement.

**ARTICLE 3**  
**THE ARRANGEMENT**

**3.1 The Arrangement**

On the Effective Date, subject to the provisions of section 4.1 hereof, the following shall occur and shall be deemed to occur in the following order without any further act or formality:

- (a) The articles of ATCO shall be amended to create an unlimited number of ATCO Class I Arrangement Shares and an unlimited number of ATCO Class II Arrangement Shares;
- (b)
  - (i) All of the issued and outstanding ATCO Class I Non-Voting Shares shall be exchanged and cancelled for ATCO Class I Arrangement Shares and ATCO New Class I Non-Voting Shares on the basis of one ATCO Class I Arrangement Share and one ATCO New Class I Non-Voting Share for each ATCO Class I Non-Voting Share;
  - (ii) The aggregate stated capital of the ATCO Class I Arrangement Shares issued on the exchange of shares described in subparagraph 3.1(b)(i) shall be that proportion of the paid-up capital of the ATCO Class I Non-Voting Shares immediately before the Effective Date that is represented by the fair market value of the assets transferred by ATCO to Newco divided by the fair market value of all of ATCO's assets immediately before the exchange. The aggregate stated capital of the ATCO New Class I Non-Voting Shares so issued on the exchange shall be equal to the aggregate paid up capital of the ATCO Class I Non-Voting Shares for the purposes of the ITA immediately before the Effective Date less the aggregate stated capital of the ATCO Class I Arrangement Shares;
  - (iii) All of the issued and outstanding ATCO Class II Voting Shares shall be exchanged and cancelled for ATCO Class II Arrangement Shares and ATCO New Class II Voting Shares on the basis of one ATCO Class II Arrangement Share and one ATCO New Class II Voting Share for each ATCO Class II Voting Share; and
  - (iv) The aggregate stated capital of the ATCO Class II Arrangement Shares issued on the exchange of shares described in subparagraph 3.1(b)(iii) shall be that proportion of the paid-up capital of the ATCO Class II Voting Shares immediately before the Effective Date that is represented by the fair market value of the assets transferred by ATCO to Newco divided by the fair market value of all of ATCO's assets immediately before the exchange. The aggregate stated capital of the ATCO New Class II Voting Shares so issued on the exchange shall be equal to the aggregate paid up capital of the ATCO Class II Voting Shares for the purposes of the ITA immediately before the Effective Date less the aggregate stated capital of the ATCO Class II Arrangement Shares;
- (c)
  - (i) Each of the ATCO Class I Arrangement Shares shall be transferred by the holder thereof to Akita in exchange for the issuance to the holder of one Akita Class A Non-Voting Share for every four ATCO Class I Arrangement Shares and each ATCO Class II Arrangement Share shall be transferred by the holder thereof to Akita in exchange for the issuance to the holder of one Akita Class B Common Share for every four ATCO Class II Arrangement Shares. In the event that the number of such ATCO Class I Arrangement Shares or ATCO Class II Arrangement Shares transferred by the holder is not divisible by four, for the purposes of determining the number of Akita Class A Non-Voting Shares or Akita Class B Common Shares to be received by such holder, the number of Akita Shares to be received by such holder shall be increased to the next greater whole number so that in effect the holder will receive one full share rather than a fractional share;
  - (ii) The aggregate stated capital of the Akita Class A Non-Voting Shares shall be equal to the aggregate of: (A) the aggregate stated capital of ATCO Class I Arrangement Shares transferred by holders who deal at arm's length with Akita for purposes of the ITA and (B) the aggregate of the amounts agreed to in elections pursuant to section 85 of the ITA with respect to ATCO Class I Arrangement Shares transferred by holders other than holders referred to in (A); and

- (iii) The aggregate stated capital of the Akita Class B Common Shares shall be equal to the aggregate of: (A) the aggregate stated capital of ATCO Class II Arrangement Shares transferred by holders who deal at arm's length with Akita for purposes of the ITA and (B) the aggregate stated capital of ATCO Class II Arrangement Shares transferred by holders other than holders referred to in (A);
- (d) ATCO shall transfer to Akita all of the Newco Common Shares held by ATCO in exchange for the issuance by Akita to ATCO of one Akita Special Share having a redemption price equal to the aggregate fair market value of the transferred shares and having a stated capital of \$1.00;
- (e) ATCO shall purchase from Akita for cancellation all of the issued and outstanding ATCO Class I Arrangement Shares and ATCO Class II Arrangement Shares for an aggregate purchase price equal to the aggregate redemption price of the then issued and outstanding ATCO Class I Arrangement Shares and ATCO Class II Arrangement Shares;
- (f) Akita shall purchase for cancellation from ATCO the issued and outstanding Akita Special Share for a purchase price equal to the redemption price of such share;
- (g) The aggregate purchase prices referred to in clauses (e) and (f) above shall, in each case, be paid and satisfied by the mutual set-off of the obligation of ATCO to Akita and Akita to ATCO arising as a result of the transactions in clauses (e) and (f) above and such set-off shall be deemed to be in full payment of such obligations;
- (h) the authorized and issued ATCO Class I Arrangement Shares and ATCO Class II Arrangement Shares shall be cancelled and for that purpose all provisions relating thereto shall be deleted; and
- (i) Newco shall be dissolved with the same effect as if subsection 203(3) of the ABCA was applicable to such dissolution and in connection with such dissolution:
  - (i) all of the assets and liabilities of Newco shall be and shall be deemed to be transferred to Akita as sole shareholder of Newco immediately prior to such dissolution;
  - (ii) on the date shown in the Certificate of Amendment, the dissolution of Newco becomes effective; and
  - (iii) all of the outstanding Newco Common Shares held by Akita shall be cancelled without any repayment of capital in respect thereof.

### 3.2 Other Acts, Documents and Instruments

Notwithstanding that the transactions or events set out in section 3.1 shall occur and shall be deemed to occur in the order therein set out without any act or formality, each of ATCO, Akita and Newco agree to make, do and execute or cause and procure to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be required by any of ATCO, Akita and Newco in order to further document or evidence any of the transactions or events set out in section 3.1, including without limitation, any resolutions of directors authorizing the issue, transfer or purchase for cancellation of shares, any share transfer powers evidencing the transfer of shares and any receipt therefor, any promissory notes and receipts therefor and any necessary additions to or deletions from share registers.

## ARTICLE 4

### RIGHTS OF DISSENT

#### 4.1 Rights of Dissent

Holders of ATCO Shares may exercise rights of dissent pursuant to the Interim Order and in the manner set forth in section 184 of the ABCA and this section 4.1 in connection with the Arrangement and holders who duly exercise such rights of dissent and who:

- (a) are ultimately entitled to be paid fair value for their ATCO Shares, shall be deemed to have transferred their ATCO Shares to ATCO for cancellation immediately before the Effective Date; or

- (b) for any reason are ultimately not entitled to be paid fair value for their ATCO Shares, shall be deemed to have participated in the Arrangement on the same basis as any non-dissenting holder of ATCO Shares as at and from the Effective Date and shall receive shares of ATCO and Akita on the basis set forth in section 3.1 of this Plan of Arrangement;

but in no case shall ATCO be required to recognize such persons as holding ATCO Shares on and after the Effective Date.

## **ARTICLE 5**

### **CERTIFICATES**

#### **5.1 Entitlement to Share Certificates and Dividends, etc.**

- (a) As soon as practicable after the Record Date, Akita shall deliver to the Registrar and Transfer Agent for the benefit of holders of Akita Shares, share certificates representing in the aggregate the Akita Shares to which such holders are entitled following the Arrangement to be delivered to such holders in accordance with the terms hereof;
- (b) Promptly upon receiving the certificates representing the Akita Shares, the Registrar and Transfer Agent shall deliver to each registered holder of ATCO Shares (except for Dissenting Shareholders) one Akita Class A Non-Voting Share certificate in respect of each four ATCO Class I Non-Voting Shares held, and one Akita Class B Common Share certificate in respect of each four ATCO Class II Voting Shares held, in accordance with the terms of section 3.1 of this Plan of Arrangement;
- (c) On or after the Effective Date, certificates formerly representing ATCO Class I Non-Voting Shares and ATCO Class II Voting Shares shall represent ATCO New Class I Non-Voting Shares and ATCO New Class II Voting Shares, respectively, without any further action being required; and
- (d) All dividends paid and distributions made in respect of Akita Shares issued to a holder of ATCO Shares, but for which a certificate has not been delivered to such holder in accordance with paragraph 5.1(b) shall be paid to the Registrar and Transfer Agent to be held by the Registrar and Transfer Agent in trust for such holder. The Registrar and Transfer Agent shall pay and deliver to any such holder, as soon as reasonably practicable after application therefor is made by such holder to the Registrar and Transfer Agent in such form as the Registrar and Transfer Agent may reasonably require such dividends, distributions, cash and interest accrued, net of withholding and other taxes, to which such holder is entitled.



## APPENDIX I

### AUTHORIZED SHARE CAPITAL OF AKITA DRILLING LTD.

The authorized capital of AKITA DRILLING LTD. (the "Corporation") shall consist of:

- (a) one class of shares, to be designated as "First Preferred Shares", issuable in series, to be unlimited in number;
- (b) one class of shares, to be designated as "Second Preferred Shares", issuable in series, to be unlimited in number;
- (c) one class of shares, to be designated as "Class A non-voting shares", to be unlimited in number;
- (d) one class of shares, to be designated as "Class B common shares", to be unlimited in number; and
- (e) one share to be designated as a "Special Share";

such shares having the following rights, restrictions, conditions and limitations attached thereto:

#### 1. First Preferred Shares

The rights, privileges, restrictions, and conditions attaching to the First Preferred Shares, as a class, are as follows:

- (a) The First Preferred Shares may be issued from time to time in one or more series, each series to consist of such number of shares with such designation, rights, privileges, restrictions and conditions attached thereto as may be determined by the Board of Directors of the Corporation;
- (b) The First Preferred Shares of each series shall rank on a parity with the First Preferred Shares of every other series with respect to payment of dividends and with respect to the distribution of the assets of the Corporation in the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs;
- (c) The First Preferred Shares shall rank in priority to the Second Preferred Shares, the Class A non-voting shares, the Class B common shares and any class of shares ranking junior to the First Preferred Shares with respect to payment of dividends and with respect to the distribution of the assets of the Corporation in the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs;
- (d) Except as otherwise specifically provided by law and except as may be otherwise specifically provided in the provisions attaching to any series of the First Preferred Shares, the holders of First Preferred Shares are not entitled to receive notice of or to attend or to vote at any meeting of shareholders;
- (e) In any instance where the holders of First Preferred Shares are entitled to vote, except as may be otherwise specifically provided in the provisions attaching to any series of the First Preferred Shares, each such holder shall have one vote for each First Preferred Share held by such holder; and
- (f) The class provisions attaching to the First Preferred Shares may be amended with the prior approval of the holders of the First Preferred Shares as a class given in writing by all the holders of the First Preferred Shares outstanding or by at least two-thirds of the votes cast at a meeting or adjourned meeting of the holders of such shares called for that purpose and at which a quorum is present.

#### 2. Second Preferred Shares

The rights, privileges, restrictions and conditions attaching to the Second Preferred Shares, as a class, are as follows:

- (a) The Second Preferred Shares may be issued from time to time in one or more series, each series to consist of such number of shares with such designation, rights, privileges, restrictions and conditions attached thereto as may be determined by the Board of Directors of the Corporation;

- (b) The Second Preferred Shares of each series shall rank on a parity with the Second Preferred Shares of every other series with respect to payment of dividends and with respect to the distribution of the assets of the Corporation in the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs;
- (c) The Second Preferred Shares shall rank in priority to the Class A non-voting shares, the Class B common shares and any class of shares ranking junior to the Second Preferred Shares with respect to payment of dividends and with respect to the distribution of the assets of the Corporation in the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs;
- (d) Except as otherwise specifically provided by law and except as may be otherwise specifically provided in the provisions attaching to any series of the Second Preferred Shares, the holders of Second Preferred Shares are not entitled to receive notice of or to attend or to vote at any meeting of shareholders;
- (e) In any instance where the holders of Second Preferred Shares are entitled to vote, except as may be otherwise specifically provided in the provisions attaching to any series of the Second Preferred Shares, each such holder shall have one vote for each Second Preferred Share held by such holder; and
- (f) The class provisions attaching to the Second Preferred Shares may be amended with the prior approval of the holders of the Second Preferred Shares as a class given in writing by all the holders of the Second Preferred Shares outstanding or by at least two-thirds of the votes cast at a meeting or adjourned meeting of the holders of such shares called for that purpose and at which a quorum is present.

### 3. Class A Non-voting Shares

An unlimited number of common shares without nominal or par value, designated the "Class A non-voting shares", which, except as otherwise provided herein, shall rank equally in all respects with the Class B common shares. The holders of the Class A non-voting shares are entitled:

- (a) to receive notice of, to attend and participate in discussions at meetings of shareholders but are not, except where otherwise expressly required by law, entitled to vote at meetings of shareholders;
- (b) subject to the rights, privileges, restrictions and conditions attaching to the preferred shares of the Corporation, to share equally, share for share, with the holders of the Class B common shares in all dividends declared by the Corporation on common shares and to receive *pari passu* with the holders of the Class B common shares of the Corporation, the remaining property of the Corporation upon dissolution; and
- (c) in certain circumstances, to convert their Class A non-voting shares into Class B common shares as hereinafter specified:
  - (i) For the purposes of paragraphs (i) to (ix) of this subsection (3)(c):
    - A. "affiliate" has the meaning assigned by the Securities Act (Alberta) as amended from time to time;
    - B. "associate" has the meaning assigned by the Securities Act (Alberta) as amended from time to time;
    - C. "Conversion Period" means the period of time commencing on the eighth day after the Offer Date and terminating on the Expiry Date;
    - D. "Converted Shares" means Class B common shares resulting from the conversion of Class A non-voting shares into Class B common shares pursuant to paragraph (ii);

E. "Exclusionary Offer" means an offer to purchase Class B common shares that:

- I must, by reason of applicable securities legislation or the requirements of a stock exchange on which the Class B common shares are listed, be made to all or substantially all holders of Class B common shares who are in a province of Canada to which the requirement applies; and
- II is not made concurrently with an offer to purchase Class A non-voting shares that is identical to the offer to purchase Class B common shares in terms of price per share and percentage of outstanding shares to be taken up exclusive of shares owned immediately prior to the offer by the Offeror, and in all other material respects (except with respect to the conditions that may be attached to the offer for Class B common shares), and that has no condition attached other than the right not to take up and pay for shares tendered if no shares are purchased pursuant to the offer for Class B common shares,

and for the purposes of this definition if an offer to purchase Class B common shares is not an Exclusionary Offer as defined above but would be an Exclusionary Offer if it were not for sub-clause II, the varying of any term of such offer shall be deemed to constitute the making of a new offer unless an identical variation concurrently is made to the corresponding offer to purchase Class A non-voting shares;

F. "Expiry Date" means the last date upon which holders of Class B common shares may accept an Exclusionary Offer;

G. "Offer Date" means the date on which an Exclusionary Offer is made;

H. "Offeror" means a person or company that makes an offer to purchase Class B common shares (the bidder), and includes any associate or affiliate of the bidder or any person or company that is disclosed in the offering document to be acting jointly or in concert with the bidder; and

I. "transfer agent" means the transfer agent for the time being of the Class B common shares.

- (ii) Subject to paragraph (v), if an Exclusionary Offer is made, each outstanding Class A non-voting share shall be convertible into one Class B common share at the option of the holder during the Conversion Period. The conversion right may be exercised by notice in writing given to the transfer agent accompanied by the share certificate or certificates representing the Class A non-voting shares which the holder desires to convert, and such notice shall be executed by such holder, or by his attorney duly authorized in writing, and shall specify the number of Class A non-voting shares which the holder desires to have converted. The holder shall pay any governmental or other tax imposed on or in respect of such conversion. Upon receipt by the transfer agent of such notice and share certificate or certificates, the Corporation shall issue a share certificate representing fully-paid Class B common shares as above prescribed and in accordance with paragraph (iv). If less than all of the Class A non-voting shares represented by any share certificate are to be converted, the holder shall be entitled to receive a new share certificate representing in the aggregate the number of Class A non-voting shares represented by the original share certificate which are not to be converted.
- (iii) An election by a holder of Class A non-voting shares to exercise the conversion right provided for in paragraph (ii) shall be deemed to also constitute irrevocable elections by such holder to deposit the Converted Shares pursuant to the Exclusionary Offer (subject to such holder's right to subsequently withdraw the shares from the offer) and to exercise the right to convert into Class A non-voting shares all Converted Shares in respect of which such holder exercises his right of withdrawal from the Exclusionary Offer or which are not otherwise ultimately taken up under the Exclusionary Offer. Any conversion into Class A non-voting shares, pursuant to such deemed election, of Converted Shares in respect of which the holder exercises his right of withdrawal from the Exclusionary Offer shall become effective at the time such right of withdrawal is exercised. If the right of withdrawal is not exercised, any conversion into Class A non-voting shares pursuant to such deemed election shall become effective,

- A. in respect of an Exclusionary Offer which is completed, immediately following the time by which the Offeror is required by applicable securities legislation to take up and pay for all shares to be acquired by the Offeror under the Exclusionary Offer; and
  - B. in respect of an Exclusionary Offer which is abandoned or withdrawn, at the time at which the Exclusionary Offer is abandoned or withdrawn.
- (iv) No share certificates representing Converted Shares shall be delivered to the holders of the shares before such shares are deposited pursuant to the Exclusionary Offer. The transfer agent, on behalf of the holders of the Converted Shares, shall deposit pursuant to the Exclusionary Offer a certificate or certificates representing the Converted Shares. Upon completion of the offer, the transfer agent shall deliver to the holders entitled thereto all consideration paid by the Offeror pursuant to the offer. If Converted Shares are converted into Class A non-voting shares pursuant to paragraph (iii), the transfer agent shall deliver to the holders entitled thereto share certificates representing the Class A non-voting shares resulting from the conversion. The Corporation shall make all arrangements with the transfer agent necessary or desirable to give effect to this paragraph (iv).
- (v) Subject to paragraph (vi), the conversion right provided for in paragraph (ii) shall not come into effect if:
- A. prior to the time at which the offer is made there is delivered to the transfer agent and to the Secretary of the Corporation a certificate or certificates signed by or on behalf of one or more shareholders of the Corporation owning in the aggregate, as at the time the Exclusionary Offer is made, more than 50% of the then outstanding Class B common shares, exclusive of shares owned immediately prior to the Exclusionary Offer by the Offeror, which certificate or certificates shall confirm, in the case of each such shareholder, that such shareholder shall not:
    - I tender any shares in acceptance of any Exclusionary Offer without giving the transfer agent and the Secretary of the Corporation written notice of such acceptance or intended acceptance at least seven days prior to the Expiry Date;
    - II make any Exclusionary Offer;
    - III act jointly or in concert with any person or company that makes any Exclusionary Offer; or
    - IV transfer any Class B common shares, directly or indirectly, during the time at which any Exclusionary Offer is outstanding without giving the transfer agent and the Secretary of the Corporation written notice of such transfer or intended transfer at least seven days prior to the Expiry Date, which notice shall state, if known to the transferor, the names of the transferees and the number of Class B common shares transferred or to be transferred to each transferee; or
  - B. as of the end of the seventh day after the Offer Date there has been delivered to the transfer agent and to the Secretary of the Corporation a certificate or certificates signed by or on behalf of one or more shareholders of the Corporation owning in the aggregate more than 50% of the then outstanding Class B common shares, exclusive of shares owned immediately prior to the Exclusionary Offer by the Offeror, which certificate or certificates shall confirm, in the case of each such shareholder:
    - I the number of Class B common shares owned by the shareholder;
    - II that such shareholder is not making the offer and is not an associate or affiliate of, or acting jointly or in concert with, the person or company making the offer;
    - III that such shareholder shall not tender any shares in acceptance of the offer, including any varied form of the offer, without giving the transfer agent and the Secretary of the Corporation written notice of such acceptance or intended acceptance at least seven days prior to the Expiry Date; and

- IV that such shareholder shall not transfer any Class B common shares, directly or indirectly, prior to the Expiry Date without giving the transfer agent and the Secretary of the Corporation written notice of such transfer or intended transfer at least seven days prior to the Expiry Date, which notice shall state, if known to the transferor, the names of the transferees and the number of Class B common shares, transferred or to be transferred to each transferee; or
- C. as of the end of the seventh day after the Offer Date a combination of certificates that comply with either clause (A) or (B) of this paragraph (v) from shareholders of the Corporation owning in the aggregate more than 50% of the then outstanding Class B common shares has been delivered to the transfer agent and to the Secretary of the Corporation.
- (vi) If a notice referred to in sub-clause (v)(A)(I), (v)(A)(IV), (v)(B)(III) or (v)(B)(IV) is given and the conversion right provided for in paragraph (ii) has not come into effect, the transfer agent shall either forthwith upon receipt of the notice or forthwith after the seventh day following the Offer Date, whichever is later, determine the number of Class B common shares in respect of which there are subsisting certificates that comply with either clause (v)(A) or (v)(B). For the purpose of this determination, certificates in respect of which such a notice has been filed shall not be regarded as subsisting insofar as the Class B common shares to which the notice relates are concerned; the transfer that is the subject of any notice referred to in sub-clause (v)(A)(IV) or (v)(B)(IV) shall be deemed to have already taken place at the time of the determination; and the transferee in the case of any notice referred to in sub-clause (v)(A)(IV) or (v)(B)(IV) shall be deemed to be a person or company from whom the transfer agent does not have a subsisting certificate unless the transfer agent is advised of the identity of the transferee, either by such notice or by the transferee in writing, and such transferee is a person or company from whom the transfer agent has a subsisting certificate. If the number of Class B common shares so determined does not exceed 50% of the number of then outstanding Class B common shares, exclusive of shares owned immediately prior to the offer by the Offeror, paragraph (v) shall cease to apply and the conversion right provided for in paragraph (ii) shall be in effect for the remainder of the Conversion Period.
- (vii) As soon as reasonably possible after the seventh day after the Offer Date, the Corporation shall send to each holder of Class A non-voting shares a notice advising the holders as to whether they are entitled to convert their Class A non-voting shares into Class B common shares and the reasons therefor. If such notice discloses that they are not so entitled but it is subsequently determined that they are so entitled by virtue of paragraph (vi) or otherwise, the Corporation shall forthwith send another notice to them advising them of that fact and the reasons therefor.
- (viii) If a notice referred to in paragraph (vii) discloses that the conversion right has come into effect, the notice shall:
- A. include a description of the procedure to be followed to effect the conversion and to have the Converted Shares tendered under the offer;
  - B. include the information set out in paragraph (iii) hereof; and
  - C. be accompanied by a copy of the offer and all other material sent to holders of Class B common shares in respect of the offer, and as soon as reasonably possible after any additional material, including a notice of variation, is sent to the holders of Class B common shares in respect of the offer, the Corporation shall send a copy of such additional material to each holder of Class A non-voting shares.
- (ix) Prior to or forthwith after sending any notice referred to in paragraph (vii), the Corporation shall cause a press release to be issued to a Canadian national news-wire service, describing the contents of the notice.

#### **4. Class B Common Shares**

An unlimited number of common shares without nominal or par value, designated the "Class B common shares", which, except as otherwise provided herein, shall rank equally in all respects with the Class A non-voting shares. The holders of the Class B common shares are entitled:

- (a) to vote at all meetings of shareholders, except meetings at which only holders of another specified class or series of shares are entitled to vote;
  - (b) to exchange each Class B common share held for one Class A non-voting share. The exchange privilege herein provided may be exercised by notice in writing given to the transfer agent of the Corporation, accompanied by the certificate or certificates representing the Class B common shares in respect of which the holder thereof desires to exercise such right of exchange and such notice shall be signed by the person registered on the books of the Corporation as the holder of the Class B common shares in respect of which such right is being exercised, or by such holder's duly authorized attorney, and shall specify the number of Class B common shares which the holder has elected to have exchanged. The holder shall also pay any governmental or other tax or charge imposed in respect of such transaction. Upon receipt of such notice the transfer agent of the Corporation shall issue a certificate or certificates representing fully paid Class A non-voting shares upon the basis above prescribed and in accordance with the provisions hereof to the holder of the Class B common shares represented by the certificate or certificates accompanying such notice. If less than all the Class B common shares represented by any certificate or certificates are to be exchanged, the holder shall be entitled to receive a new certificate for the Class B common shares representing the shares comprised in the original certificate or certificates which are not to be exchanged; and
  - (c) subject to the rights, privileges, restrictions and conditions attaching to the preferred shares of the Corporation, to share equally, share for share, with the holders of the Class A non-voting shares in all dividends declared by the Corporation on common shares and to receive, *pari passu* with the holders of the Class A non-voting shares of the Corporation, the remaining property of the Corporation upon dissolution.
5. Notwithstanding anything herein contained, the conversion and exchange ratios of one-for-one referred to above in subsections 3(c) and 4(b) shall be amended from time to time to ensure that the effective conversion ratio at the time a holder of Class A non-voting shares is entitled to tender for conversion, or the effective exchange ratio at the time a holder of Class B common shares is entitled to tender for exchange, as the case may be, is wholly consistent with the basis which prevailed on the date the Class A non-voting shares and Class B common shares were created, upon the happening of any of the following events:
- (a) the subdivision, consolidation or reclassification of the outstanding Class A non-voting shares or Class B common shares;
  - (b) the issue of Class A non-voting shares or Class B common shares to all or substantially all the holders of Class A non-voting shares or Class B common shares by way of a stock dividend or otherwise, other than the issue from time to time of Class A non-voting shares or Class B common shares by way of a stock dividend or dividend reinvestment plan to shareholders who elect to receive dividends in shares in lieu of receiving cash dividends paid in the ordinary course;
  - (c) the issue of options, rights or warrants to all or substantially all the holders of Class A non-voting shares or Class B common shares entitling them within a period of 45 days to acquire Class A non-voting shares or Class B common shares or securities convertible into Class A non-voting shares or Class B common shares at a price per share (or having a conversion price per share) less than 95% of the then current market price of the Class A non-voting shares or Class B common shares, which shall be defined as the weighted average price at which the Class A non-voting shares or Class B common shares, as the case may be, traded on The Toronto Stock Exchange during any 30 consecutive trading days ending on a date within 15 business days preceding the record date for such issue; and
  - (d) the issue to all or substantially all the holders of Class A non-voting shares or Class B common shares of options, rights or warrants (other than those expiring within 45 days), of evidences of indebtedness or of assets (excluding dividends paid in the ordinary course).

## 6. Special Share

One share designated the "Special Share", having attached thereto the following rights, privileges, restrictions and conditions:

- (a) The holder of the Special Share, in priority to the Class A non-voting shares or Class B common shares and any other shares ranking junior to the Special Share, shall be entitled to receive in each calendar year and the Corporation shall pay thereon, as and when declared by the Board of Directors of the Corporation out of the assets of the Corporation properly applicable to the payment of dividends, a fixed non-cumulative preferential dividend at the rate of 9% per annum on the Redemption Amount (as hereinafter defined) payable yearly. The holder of the Special Share shall not be entitled to any dividends other than or in excess of the non-cumulative preferential dividends hereinbefore provided and any such dividend that may be declared payable in a year on the Special Share shall be considered declared and payable only to the holder of the Special Share and not to holders of any other class of shares of the Corporation;
- (b) No dividends shall at any time be declared and paid on or set apart for payment on the Class A non-voting shares or the Class B common shares or any other shares ranking junior to the Special Share in any financial year unless and until the full amount of any dividends declared to be payable in that year on the Special Share have been paid or funds have been set aside in that year for payment thereof;
- (c) The Special Share, subject to applicable provisions of the Business Corporations Act (Alberta) as now enacted or as the same may be enacted or replaced, shall be a non-voting share and the holder of such share shall not be entitled to receive notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting;
- (d) The Corporation may, subject to applicable provisions of the Business Corporations Act (Alberta) as now enacted or as the same may be enacted or replaced, redeem the outstanding Special Share at an amount determined by the Board of Directors of the Corporation, provided that the said amount (the "Redemption Amount") shall be fixed by the Board of Directors prior to or concurrently with the issuance of the Special Share. The Redemption Amount shall be equal to the fair market value of the consideration for which such share was issued as determined by the Board of Directors. The Corporation shall give to the holder of the Special Share notice in writing of the intention of the Corporation to redeem the Special Share. Such notice shall be given by delivery by hand or posting the same in a postage paid registered letter, addressed to the holder of the Special Share at the last address of such shareholder appearing on the books of the Corporation, or in the event of the address of such shareholder not so appearing, then to the address of such shareholder last known to the Corporation. Such notice shall set out the Redemption Amount in respect of the Special Share. Such notice shall also set out the date on which redemption is to occur and the place for payment by the Corporation of the Redemption Amount in respect of the Special Share and the presentation and surrender by the holder of the Special Share of the certificate representing the Special Share. On the date on which the redemption is to occur the Corporation shall, if permitted by applicable law, pay or cause to be paid to the holder of the Special Share the Redemption Amount on presentation and surrender at the head office of the Corporation or at any other place or places within Canada designated by such notice, of the certificate for the Special Share. Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers in Canada or, with the written agreement of the holder of the Special Share, in any other manner, including by issuance of securities, delivery of a promissory note or delivery of property other than money. From and after the date specified for redemption in any such notice the Special Share shall cease to be entitled to dividends and the holder thereof shall not be entitled to exercise any of the rights of a shareholder in respect thereof unless payment of the Redemption Amount shall not be made upon presentation of the certificate in accordance with the foregoing provisions, in which case the rights of the shareholder shall remain unaffected. The Corporation shall have the right at any time after the mailing of notice of its intention to redeem the Special Share to deposit the Redemption Amount to a special account in any chartered bank or in any trust company in Canada, named in such notice, to be paid without interest to or to the order of the holder of the Special Share upon presentation and surrender to such bank or trust company of the certificate representing the

same, and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Special Share shall be redeemed and the rights of the holder thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest the Redemption Amount so deposited against presentation and surrender of the said certificate held by it and any interest allowed on such deposit shall belong to the Corporation. The holder of the Special Share may waive any or all of the requirements with respect to notice of redemption and manner of payment as set forth herein with respect to the Special Share;

- (e) The holder of the Special Share shall be entitled to require the Corporation to redeem, subject to the requirements of the Business Corporations Act (Alberta) as now enacted or as the same may from time to time be amended, reenacted or replaced, at any time or times the Special Share by tendering to the Corporation at its registered office the share certificate representing the Special Share together with a request in writing specifying that the registered holder desires to have the Special Share redeemed by the Corporation and the business date (hereinafter referred to as the "Redemption Date") on which the holder desires to have the Corporation redeem the Special Share. The Redemption Date shall not be less than ten (10) days after the day on which the request in writing is given to the Corporation. Upon receipt of the share certificate representing the Special Share which the registered holder desires to have the Corporation redeem together with such a request the Corporation shall on the Redemption Date redeem the Special Share by paying to such registered holder the Redemption Amount. Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers for the time being in Canada or, with the written agreement of the holder of the Special Share, in any other manner, including by issuance of securities, delivery of a promissory note or delivery of property other than money. The Special Share shall be redeemed on the Redemption Date and from and after the Redemption Date such share shall cease to be entitled to dividends and the holder thereof shall not be entitled to exercise any of the rights of a holder of the Special Share in respect thereof unless payment of the Redemption Amount is not made on the Redemption Date, in which event the rights of the holder of the Special Share shall remain unaffected;
- (f) In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among shareholders for the purpose of winding up its affairs, the holder of the Special Share shall be entitled to receive from the assets of the Corporation a sum equivalent to the Redemption Amount before any amount shall be paid or any property or assets of the Corporation shall be distributed to holders of Class A non-voting shares or Class B common shares or shares of any other class ranking junior to the Special Share. After payment as above to the holder of the Special Share, the holder shall not be entitled to share in any further distribution of the assets of the Corporation; and
- (g) Notwithstanding anything to the contrary herein contained, no dividends, or other payment or distribution (including, without limiting the generality of the term, payments or distributions for purchases, acquisitions and redemptions) shall be made to the holders of any shares in the capital of the Corporation other than the Special Share if such payment or distribution would result in the realizable value of the Corporation's assets, net of liabilities, being less than the Redemption Amount of the Special Share if then outstanding.



## SCHEDULE A

### CLASS I ARRANGEMENT SHARES AND CLASS II ARRANGEMENT SHARES OF ATCO LTD.

An unlimited number of Class I Arrangement Shares and an unlimited number of Class II Arrangement Shares, which shall rank equally in all respects. The Class I Arrangement Shares and Class II Arrangement Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

1. In these Class I Arrangement Share and Class II Arrangement Share terms and conditions, the following words and phrases shall have the following meanings:

- (a) *"Act"* means the Business Corporations Act (Alberta), as amended;
- (b) *"Arrangement"* means the arrangement under the provisions of Section 186 of the Act provided for in the Arrangement Agreement;
- (c) *"Arrangement Agreement"* means the Arrangement Agreement made the 9th day of November, 1992 among the Corporation, Akita Drilling Ltd. and 534697 Alberta Ltd.;
- (d) *"Arrangement Shares"* means the Class I Arrangement Shares and Class II Arrangement Shares of the Corporation;
- (e) *"Corporation"* means ATCO Ltd.;
- (f) *"Effective Date"* means the effective date of the Arrangement as defined in the Plan of Arrangement;
- (g) *"Plan of Arrangement"* means the plan of arrangement annexed as Exhibit 1 to the Arrangement Agreement;
- (h) *"Redemption Amount"* means the amount, determined immediately prior to the transactions described in section 3.1(d) of the Plan of Arrangement, which is:
  - (i) the product of:
    - A. the fair market value of all of the issued shares of the Corporation  
and
    - B. the fair market value of all of the shares of 534697 Alberta Ltd. transferred by the Corporation to Akita in accordance with section 3.1(d) of the Plan of Arrangement
  - (ii) divided by the fair market value of all of the assets of the Corporation less all of the liabilities of the Corporation, and

- (iii) divided by the aggregate number of Arrangement Shares issued by the Corporation in accordance with section 3.1(b)(i) and (iii) of the Plan of Arrangement;
  - (i) "*Redemption Date*" shall have the meaning ascribed thereto in paragraph 6 of these share terms and conditions; and
  - (j) "*Redemption Price*" means the Redemption Amount of the Arrangement Shares plus an amount equal to all dividends, if any, which have, at the relevant time, been declared on such shares but which have not then been paid.
2. Subject to the prior rights of any shares ranking senior to the Arrangement Shares with respect to priority on the liquidation, dissolution or winding-up of the Corporation, in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, the holders of the Arrangement Shares shall be entitled to receive, before any distribution of any part of the assets of the Corporation among the holders of Class I non-voting shares and Class II voting shares of the Corporation, for each Arrangement Share, an amount equal to the Redemption Price.
3. Except where otherwise expressly required by law, the holders of Arrangement Shares are not entitled to receive notice of or to attend any meeting of the shareholders of the Corporation or to vote thereat.
4. Subject to the prior rights of, and to any preference as to dividends provided to, any shares ranking senior to the Arrangement Shares with respect to priority in the payment of dividends, the holders of the Arrangement Shares shall in each fiscal year of the Corporation in the discretion of the directors, but always in preference and priority to any payment of dividends on the Class I non-voting shares and Class II voting shares of the Corporation for such fiscal year, be entitled to non-cumulative dividends in the amount of 9% per annum of the Redemption Amount. If in any fiscal year, after providing for the full dividend on the Arrangement Shares, there shall remain any profits or surplus available for dividends, such profits or surplus, or any part thereof, may, in the discretion of the directors, be applied to dividends on the Class I non-voting shares and Class II voting shares of the Corporation. The holders of the Arrangement Shares shall not be entitled to any dividends other than or in excess of the non-cumulative dividends in the amount hereinbefore provided for.
5. Subject to the provisions of the Act, the Corporation may at any time or from time to time and at its option without prior notice to or the consent of the holders thereof redeem all or any of the then outstanding Arrangement Shares on payment to the holders thereof, for each share to be redeemed, of an amount equal to the Redemption Price.
6. A holder of Arrangement Shares shall be entitled to require the Corporation to redeem at any time and from time to time after the date of issue of any Arrangement Shares, upon giving notice as hereinafter provided, all or any number of the Arrangement Shares registered in the name of such holder on the books of the Corporation at the Redemption Price. A holder of Arrangement Shares exercising his option to have the Corporation redeem, shall give notice to the Corporation, which notice shall set out the date on which the Corporation is to redeem, which date shall not be less than 10 days nor more than 30 days from the date of mailing of the notice, and if the holder desires to have less than all of the Arrangement Shares registered in his name redeemed by the Corporation, the number of the

holder's shares to be redeemed. The date on which the redemption at the option of the holder is to occur is hereafter referred to as the "Redemption Date". The holder of any Arrangement Shares may, with the consent of the Corporation, revoke such notice prior to the Redemption Date. Upon delivery to the Corporation of a share certificate or certificates representing the Arrangement Shares which the holder desires to have the Corporation redeem, the Corporation shall on the Redemption Date, redeem such Arrangement Shares by paying to the holder the Redemption Price therefor. Upon payment of the Redemption Price of the Arrangement Shares to be redeemed by the Corporation, the holders thereof shall cease to be entitled to dividends or to exercise any rights of holders in respect thereof. If the redemption by the Corporation on any Redemption Date of all of the Arrangement Shares to be redeemed on such date would be contrary to any provisions of the Act or any other applicable law, the Corporation shall be obligated to redeem only the maximum number of Arrangement Shares which the Corporation determines it is then permitted to redeem, such redemptions to be made *pro rata* (disregarding fractions of shares) according to the number of Arrangement Shares required by each such holder to be redeemed by the Corporation and the Corporation shall issue new certificates representing the Arrangement Shares not redeemed by the Corporation. The Corporation shall, before redeeming any other Arrangement Shares, redeem on a *pro rata* basis on the 1st day of each month thereafter the maximum number of such Arrangement Shares as would not then be contrary to any provisions of the Act or any other applicable law, until all of such shares have been redeemed.

7. The Corporation may purchase for cancellation the whole or any part of the Arrangement Shares at such price as the directors may determine.

8. Arrangement Shares that are redeemed or purchased by the Corporation pursuant to any of the provisions hereof shall be cancelled.

## APPENDIX I

### AUTHORIZED SHARE CAPITAL OF AKITA DRILLING LTD.

The authorized capital of AKITA DRILLING LTD. (the "Corporation") shall consist of:

- (a) one class of shares, to be designated as "First Preferred Shares", issuable in series, to be unlimited in number;
- (b) one class of shares, to be designated as "Second Preferred Shares", issuable in series, to be unlimited in number;
- (c) one class of shares, to be designated as "Class A non-voting shares", to be unlimited in number;
- (d) one class of shares, to be designated as "Class B common shares", to be unlimited in number; and
- (e) one share to be designated as a "Special Share";

such shares having the following rights, restrictions, conditions and limitations attached thereto:

#### 1. FIRST PREFERRED SHARES

The rights, privileges, restrictions and conditions attaching to the First Preferred Shares, as a class, are as follows:

- (a) The First Preferred Shares may be issued from time to time in one or more series, each series to consist of such number of shares with such designation, rights, privileges, restrictions and conditions attached thereto as may be determined by the Board of Directors of the Corporation.
- (b) The First Preferred Shares of each series shall rank on a parity with the First Preferred Shares of every other series with respect to payment of dividends and with respect to the distribution of the assets of the Corporation in the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.
- (c) The First Preferred Shares shall rank in priority to the Second Preferred Shares, the Class A non-voting shares, the Class B common shares and any class of shares ranking junior to the First Preferred Shares with respect to payment of dividends and with respect to the distribution of the assets of the Corporation in the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.
- (d) Except as otherwise specifically provided by law and except as may be otherwise specifically provided in the provisions attaching to any series of the First Preferred Shares, the holders of First Preferred Shares are not entitled to receive notice of or to attend or to vote at any meeting of shareholders.
- (e) In any instance where the holders of First Preferred Shares are entitled to vote, except as may be otherwise specifically provided in the provisions attaching to any series of

the First Preferred Shares, each such holder shall have one vote for each First Preferred share held by such holder.

- (f) The class provisions attaching to the First Preferred Shares may be amended with the prior approval of the holders of the First Preferred Shares as a class given in writing by all the holders of the First Preferred Shares outstanding or by at least two-thirds of the votes cast at a meeting or adjourned meeting of the holders of such shares called for that purpose and at which a quorum is present.

## 2. SECOND PREFERRED SHARES

The rights, privileges, restrictions and conditions attaching to the Second Preferred Shares, as a class, are as follows:

- (a) The Second Preferred Shares may be issued from time to time in one or more series, each series to consist of such number of shares with such designation, rights, privileges, restrictions and conditions attached thereto as may be determined by the Board of Directors of the Corporation.
- (b) The Second Preferred Shares of each series shall rank on a parity with the Second Preferred Shares of every other series with respect to payment of dividends and with respect to the distribution of the assets of the Corporation in the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.
- (c) The Second Preferred Shares shall rank in priority to the Class A non-voting shares, the Class B common shares and any class of shares ranking junior to the Second Preferred Shares with respect to payment of dividends and with respect to the distribution of the assets of the Corporation in the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.
- (d) Except as otherwise specifically provided by law and except as may be otherwise specifically provided in the provisions attaching to any series of the Second Preferred Shares, the holders of Second Preferred Shares are not entitled to receive notice of or to attend or to vote at any meeting of shareholders.
- (e) In any instance where the holders of Second Preferred Shares are entitled to vote, except as may be otherwise specifically provided in the provisions attaching to any series of the Second Preferred Shares, each such holder shall have one vote for each Second Preferred Share held by such holder.
- (f) The class provisions attaching to the Second Preferred Shares may be amended with the prior approval of the holders of the Second Preferred Shares as a class given in writing by all the holders of the Second Preferred Shares outstanding or by at least two-thirds of the votes cast at a meeting or adjourned meeting of the holders of such shares called for that purpose and at which a quorum is present.

## 3. CLASS A NON-VOTING SHARES

An unlimited number of common shares without nominal or par value, designated the "Class A non-voting shares", which, except as otherwise provided herein, shall rank equally in all

respects with the Class B common shares. The holders of the Class A non-voting shares are entitled:

- (a) to receive notice of, to attend and participate in discussions at meetings of shareholders but are not, except where otherwise expressly required by law, entitled to vote at meetings of shareholders;
- (b) subject to the rights, privileges, restrictions and conditions attaching to the preferred shares of the Corporation, to share equally, share for share, with the holders of the Class B common shares in all dividends declared by the Corporation on common shares and to receive *pari passu* with the holders of the Class B common shares of the Corporation, the remaining property of the Corporation upon dissolution; and
- (c) in certain circumstances, to convert their Class A non-voting shares into Class B common shares as hereinafter specified:

(i) For the purposes of paragraphs (i) to (ix) of this subsection (3)(c):

- A. "affiliate" has the meaning assigned by the Securities Act (Alberta) as amended from time to time;
- B. "associate" has the meaning assigned by the Securities Act (Alberta) as amended from time to time;
- C. "Conversion Period" means the period of time commencing on the eighth day after the Offer Date and terminating on the Expiry Date;
- D. "Converted Shares" means Class B common shares resulting from the conversion of Class A non-voting shares into Class B common shares pursuant to paragraph (ii);
- E. "Exclusionary Offer" means an offer to purchase Class B common shares that:

I must, by reason of applicable securities legislation or the requirements of a stock exchange on which the Class B common shares are listed, be made to all or substantially all holders of Class B common shares who are in a province of Canada to which the requirement applies; and

II is not made concurrently with an offer to purchase Class A non-voting shares that is identical to the offer to purchase Class B common shares in terms of price per share and percentage of outstanding shares to be taken up exclusive of shares owned immediately prior to the offer by the Offeror, and in all other material respects (except with respect to the conditions that may be attached to the offer for Class B common shares), and that has no condition attached other than the right not to take up and pay for shares tendered if no shares are purchased pursuant to the offer for Class B common shares,

and for the purposes of this definition if an offer to purchase Class B common shares is not an Exclusionary Offer as defined above but would be an Exclusionary Offer if it were not for sub-clause II, the varying of any term of such offer shall be deemed to constitute the making of a new offer unless an identical

variation concurrently is made to the corresponding offer to purchase Class A non-voting shares;

- F. "Expiry Date" means the last date upon which holders of Class B common shares may accept an Exclusionary Offer;
  - G. "Offer Date" means the date on which an Exclusionary Offer is made;
  - H. "Offeror" means a person or company that makes an offer to purchase Class B common shares (the "bidder"), and includes any associate or affiliate of the bidder or any person or company that is disclosed in the offering document to be acting jointly or in concert with the bidder; and
  - I. "transfer agent" means the transfer agent for the time being of the Class B common shares.
- (ii) Subject to paragraph (v), if an Exclusionary Offer is made, each outstanding Class A non-voting share shall be convertible into one Class B common share at the option of the holder during the Conversion Period. The conversion right may be exercised by notice in writing given to the transfer agent accompanied by the share certificate or certificates representing the Class A non-voting shares which the holder desires to convert, and such notice shall be executed by such holder, or by his attorney duly authorized in writing, and shall specify the number of Class A non-voting shares which the holder desires to have converted. The holder shall pay any governmental or other tax imposed on or in respect of such conversion. Upon receipt by the transfer agent of such notice and share certificate or certificates, the Corporation shall issue a share certificate representing fully-paid Class B common shares as above prescribed and in accordance with paragraph (iv). If less than all of the Class A non-voting shares represented by any share certificate are to be converted, the holder shall be entitled to receive a new share certificate representing in the aggregate the number of Class A non-voting shares represented by the original share certificate which are not to be converted.
- (iii) An election by a holder of Class A non-voting shares to exercise the conversion right provided for in paragraph (ii) shall be deemed to also constitute irrevocable elections by such holder to deposit the Converted Shares pursuant to the Exclusionary Offer (subject to such holder's right to subsequently withdraw the shares from the offer) and to exercise the right to convert into Class A non-voting shares all Converted Shares in respect of which such holder exercises his right of withdrawal from the Exclusionary Offer or which are not otherwise ultimately taken up under the Exclusionary Offer. Any conversion into Class A non-voting shares, pursuant to such deemed election, of Converted Shares in respect of which the holder exercises his right of withdrawal from the Exclusionary Offer shall become effective at the time such right of withdrawal is exercised. If the right of withdrawal is not exercised, any conversion into Class A non-voting shares pursuant to such deemed election shall become effective,
- A. in respect of an Exclusionary Offer which is completed, immediately following the time by which the Offeror is required by applicable securities legislation to take up and pay for all shares to be acquired by the Offeror under the Exclusionary Offer; and
  - B. in respect of an Exclusionary Offer which is abandoned or withdrawn, at the time at which the Exclusionary Offer is abandoned or withdrawn.

(iv) No share certificates representing Converted Shares shall be delivered to the holders of the shares before such shares are deposited pursuant to the Exclusionary Offer. The transfer agent, on behalf of the holders of the Converted Shares, shall deposit pursuant to the Exclusionary Offer a certificate or certificates representing the Converted Shares. Upon completion of the offer, the transfer agent shall deliver to the holders entitled thereto all consideration paid by the Offeror pursuant to the offer. If Converted Shares are converted into Class A non-voting shares pursuant to paragraph (iii), the transfer agent shall deliver to the holders entitled thereto share certificates representing the Class A non-voting shares resulting from the conversion. The Corporation shall make all arrangements with the transfer agent necessary or desirable to give effect to this paragraph (iv).

(v) Subject to paragraph (vi), the conversion right provided for in paragraph (ii) shall not come into effect if:

A. prior to the time at which the offer is made there is delivered to the transfer agent and to the Secretary of the Corporation a certificate or certificates signed by or on behalf of one or more shareholders of the Corporation owning in the aggregate, as at the time the Exclusionary Offer is made, more than 50% of the then outstanding Class B common shares, exclusive of shares owned immediately prior to the Exclusionary Offer by the Offeror, which certificate or certificates shall confirm, in the case of each such shareholder, that such shareholder shall not:

I tender any shares in acceptance of any Exclusionary Offer without giving the transfer agent and the Secretary of the Corporation written notice of such acceptance or intended acceptance at least seven days prior to the Expiry Date;

II make any Exclusionary Offer;

III act jointly or in concert with any person or company that makes any Exclusionary Offer; or

IV transfer any Class B common shares, directly or indirectly, during the time at which any Exclusionary Offer is outstanding without giving the transfer agent and the Secretary of the Corporation written notice of such transfer or intended transfer at least seven days prior to the Expiry Date, which notice shall state, if known to the transferor, the names of the transferees and the number of Class B common shares transferred or to be transferred to each transferee; or

B. as of the end of the seventh day after the Offer Date there has been delivered to the transfer agent and to the Secretary of the Corporation a certificate or certificates signed by or on behalf of one or more shareholders of the Corporation owning in the aggregate more than 50% of the then outstanding Class B common shares, exclusive of shares owned immediately prior to the Exclusionary Offer by the Offeror, which certificate or certificates shall confirm, in the case of each such shareholder:

I the number of Class B common shares owned by the shareholder;



- II that such shareholder is not making the offer and is not an associate or affiliate of, or acting jointly or in concert with, the person or company making the offer;
  - III that such shareholder shall not tender any shares in acceptance of the offer, including any varied form of the offer, without giving the transfer agent and the Secretary of the Corporation written notice of such acceptance or intended acceptance at least seven days prior to the Expiry Date; and
  - IV that such shareholder shall not transfer any Class B common shares, directly or indirectly, prior to the Expiry Date without giving the transfer agent and the Secretary of the Corporation written notice of such transfer or intended transfer at least seven days prior to the Expiry Date, which notice shall state, if known to the transferor, the names of the transferees and the number of Class B common shares, transferred or to be transferred to each transferee; or
- C. as of the end of the seventh day after the Offer Date a combination of certificates that comply with either clause (A) or (B) of this paragraph (v) from shareholders of the Corporation owning in the aggregate more than 50% of the then outstanding Class B common shares has been delivered to the transfer agent and to the Secretary of the Corporation.
- (vi) If a notice referred to in sub-clause (v)(A)(I), (v)(A)(IV), (v)(B)(III) or (v)(B)(IV) is given and the conversion right provided for in paragraph (ii) has not come into effect, the transfer agent shall either forthwith upon receipt of the notice or forthwith after the seventh day following the Offer Date, whichever is later, determine the number of Class B common shares in respect of which there are subsisting certificates that comply with either clause (v)(A) or (v)(B). For the purpose of this determination, certificates in respect of which such a notice has been filed shall not be regarded as subsisting insofar as the Class B common shares to which the notice relates are concerned; the transfer that is the subject of any notice referred to in sub-clause (v)(A)(IV) or (v)(B)(IV) shall be deemed to have already taken place at the time of the determination; and the transferee in the case of any notice referred to in sub-clause (v)(A)(IV) or (v)(B)(IV) shall be deemed to be a person or company from whom the transfer agent does not have a subsisting certificate unless the transfer agent is advised of the identity of the transferee, either by such notice or by the transferee in writing, and such transferee is a person or company from whom the transfer agent has a subsisting certificate. If the number of Class B common shares so determined does not exceed 50% of the number of then outstanding Class B common shares, exclusive of shares owned immediately prior to the offer by the Offeror, paragraph (v) shall cease to apply and the conversion right provided for in paragraph (ii) shall be in effect for the remainder of the Conversion Period.
- (vii) As soon as reasonably possible after the seventh day after the Offer Date, the Corporation shall send to each holder of Class A non-voting shares a notice advising the holders as to whether they are entitled to convert their Class A non-voting shares into Class B common shares and the reasons therefor. If such notice discloses that they are not so entitled but it is subsequently determined that they are so entitled by virtue of paragraph (vi) or otherwise, the Corporation

shall forthwith send another notice to them advising them of that fact and the reasons therefor.

(viii) If a notice referred to in paragraph (vii) discloses that the conversion right has come into effect, the notice shall:

- A. include a description of the procedure to be followed to effect the conversion and to have the Converted Shares tendered under the offer;
- B. include the information set out in paragraph (iii) hereof; and
- C. be accompanied by a copy of the offer and all other material sent to holders of Class B common shares in respect of the offer, and as soon as reasonably possible after any additional material, including a notice of variation, is sent to the holders of Class B common shares in respect of the offer, the Corporation shall send a copy of such additional material to each holder of Class A non-voting shares.

(ix) Prior to or forthwith after sending any notice referred to in paragraph (vii), the Corporation shall cause a press release to be issued to a Canadian national news-wire service, describing the contents of the notice.

#### **4. CLASS B COMMON SHARES**

An unlimited number of common shares without nominal or par value, designated the "Class B common shares", which, except as otherwise provided herein, shall rank equally in all respects with the Class A non-voting shares. The holders of the Class B common shares are entitled:

- (a) to vote at all meetings of shareholders, except meetings at which only holders of another specified class or series of shares are entitled to vote;
- (b) to exchange each Class B common share held for 1 Class A non-voting share. The exchange privilege herein provided may be exercised by notice in writing given to the transfer agent of the Corporation, accompanied by the certificate or certificates representing the Class B common shares in respect of which the holder thereof desires to exercise such right of exchange and such notice shall be signed by the person registered on the books of the Corporation as the holder of the Class B common shares in respect of which such right is being exercised, or by such holder's duly authorized attorney, and shall specify the number of Class B common shares which the holder has elected to have exchanged. The holder shall also pay any governmental or other tax or charge imposed in respect of such transaction. Upon receipt of such notice the transfer agent of the Corporation shall issue a certificate or certificates representing fully paid Class A non-voting shares upon the basis above prescribed and in accordance with the provisions hereof to the holder of the Class B common shares represented by the certificate or certificates accompanying such notice. If less than all the Class B common shares represented by any certificate or certificates are to be exchanged, the holder shall be entitled to receive a new certificate for the Class B common shares representing the shares comprised in the original certificate or certificates which are not to be exchanged; and
- (c) subject to the rights, privileges, restrictions and conditions attaching to the preferred shares of the Corporation, to share equally, share for share, with the holders of the Class A non-voting shares in all dividends declared by the Corporation on common

shares and to receive, *pari passu* with the holders of the Class A non-voting shares of the Corporation, the remaining property of the Corporation upon dissolution.

5.

Notwithstanding anything herein contained, the conversion and exchange ratios of one-for-one referred to above in subsections 3(c) and 4(b) shall be amended from time to time to ensure that the effective conversion ratio at the time a holder of Class A non-voting shares is entitled to tender for conversion, or the effective exchange ratio at the time a holder of Class B common shares is entitled to tender for exchange, as the case may be, is wholly consistent with the basis which prevailed on the date the Class A non-voting shares and Class B common shares were created, upon the happening of any of the following events:

- (a) the subdivision, consolidation or reclassification of the outstanding Class A non-voting shares or Class B common shares;
- (b) the issue of Class A non-voting shares or Class B common shares to all or substantially all the holders of Class A non-voting shares or Class B common shares by way of a stock dividend or otherwise, other than the issue from time to time of Class A non-voting shares or Class B common shares by way of a stock dividend or dividend reinvestment plan to shareholders who elect to receive dividends in shares in lieu of receiving cash dividends paid in the ordinary course;
- (c) the issue of options, rights or warrants to all or substantially all the holders of Class A non-voting shares or Class B common shares entitling them within a period of 45 days to acquire Class A non-voting shares or Class B common shares or securities convertible into Class A non-voting shares or Class B common shares at a price per share (or having a conversion price per share) less than 95% of the then current market price of the Class A non-voting shares or Class B common shares, which shall be defined as the weighted average price at which the Class A non-voting shares or Class B common shares, as the case may be, traded on The Toronto Stock Exchange during any 30 consecutive trading days ending on a date within 15 business days preceding the record date for such issue; and
- (d) the issue to all or substantially all the holders of Class A non-voting shares or Class B common shares of options, rights or warrants (other than those expiring within 45 days), of evidences of indebtedness or of assets (excluding dividends paid in the ordinary course).

6. SPECIAL SHARE

One share designated the "Special Share" having attached thereto the following rights, privileges, restrictions and conditions:

- (a) The holder of the Special Share, in priority to the First Preferred Shares, the Second Preferred Shares, the Class A non-voting shares, the Class B common shares and any other shares ranking junior to the Special Share, shall be entitled to receive in each calendar year and the Corporation shall pay thereon, as and when declared by the Board of Directors of the Corporation out of the assets of the Corporation properly applicable to the payment of dividends, a fixed non-cumulative preferential dividend at the rate of 9% per annum on the Redemption Amount (as hereinafter defined) payable yearly. The holder of the Special Share shall not be entitled to any dividends other than or in excess of the non-cumulative preferential dividends hereinbefore provided and any such dividend that may be declared payable in a year on the Special Share shall be

considered declared and payable only to the holder of the Special Share and not to holders of any other class of shares of the Corporation;

- (b) No dividends shall at any time be declared and paid on or set apart for payment on the First Preferred Shares, the Second Preferred Shares, the Class A non-voting shares, the Class B common shares or any other shares ranking junior to the Special Share in any financial year unless and until the full amount of any dividends declared to be payable in that year on the Special Share have been paid or funds have been set aside in that year for payment thereof;
- (c) The Special Share, subject to applicable provisions of the Business Corporations Act (Alberta) as now enacted or as the same may be enacted or replaced, shall be a non-voting share and the holder of such share shall not be entitled to receive notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting;
- (d) The Corporation may, subject to applicable provisions of the Business Corporations Act (Alberta) as now enacted or as the same may be enacted or replaced, redeem the outstanding Special Share at an amount determined by the Board of Directors of the Corporation, provided that the said amount (the "Redemption Amount") shall be fixed by the Board of Directors prior to or concurrently with the issuance of the Special Share. The Redemption Amount shall be equal to the fair market value of the consideration for which such share was issued as determined by the Board of Directors. The Corporation shall give to the holder of the Special Share notice in writing of the intention of the Corporation to redeem the Special Share. Such notice shall be given by delivery by hand or posting the same in a postage paid registered letter, addressed to the holder of the Special Share at the last address of such shareholder appearing on the books of the Corporation, or in the event of the address of such shareholder not so appearing, then to the address of such shareholder last known to the Corporation. Such notice shall set out the Redemption Amount in respect of the Special Share. Such notice shall also set out the date on which redemption is to occur and the place for payment by the Corporation of the Redemption Amount in respect of the Special Share and the presentation and surrender by the holder of the Special Share of the certificate representing the Special Share. On the date on which the redemption is to occur the Corporation shall, if permitted by applicable law, pay or cause to be paid to the holder of the Special Share the Redemption Amount on presentation and surrender at the head office of the Corporation or at any other place or places within Canada designated by such notice, of the certificate for the Special Share. Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers in Canada or, with the written agreement of the holder of the Special Share in any other manner, including by issuance of securities, delivery of a promissory note or delivery of property other than money. From and after the date specified for redemption in any such notice the Special Share shall cease to be entitled to dividends and the holder thereof shall not be entitled to exercise any of the rights of a shareholder in respect thereof unless payment of the Redemption Amount shall not be made upon presentation of the certificate in accordance with the foregoing provisions, in which case the rights of the shareholder shall remain unaffected. The Corporation shall have the right at any time after the mailing of notice of its intention to redeem the Special Share to deposit the Redemption Amount to a special account in any chartered bank or in any trust company in Canada, named in such notice, to be paid without interest to or to the order of the holder of the Special Share upon presentation and surrender to such bank or trust company of the certificate representing the same, and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Special Share shall be redeemed and the rights of the holder thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest the Redemption Amount so deposited, against presentation and surrender of the

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said certificate held by it and any interest allowed on such deposit shall belong to the Corporation. The holder of the Special Share may waive any or all of the requirements with respect to notice of redemption and manner of payment as set forth herein with respect to the Special Share;

- (e) The holder of the Special Share shall be entitled to require the Corporation to redeem, subject to the requirements of the Business Corporations Act (Alberta) as now enacted or as the same may from time to time be amended, re-enacted or replaced, at any time or times the Special Share by tendering to the Corporation at its registered office the share certificate representing the Special Share together with a request in writing specifying that the registered holder desires to have the Special Share redeemed by the Corporation and the business date (hereinafter referred to as the "Redemption Date")



CONSUMER AND  
CORPORATE AFFAIRS

ARTICLES OF AMENDMENT

1. NAME OF CORPORATION:

AKITA DRILLING LTD.

2. CORPORATE ACCESS NUMBER:

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FILED

DEC 22 1992

1. Registrar of Corporations

3. ITEM NO. \_\_\_\_\_ OF THE ARTICLES OF THE ABOVE NAMED CORPORATION ARE AMENDED IN ACCORDANCE WITH

SECTION \_\_\_\_\_ OF THE BUSINESS CORPORATIONS ACT.

1. Pursuant to subsection 167(1)(l) of the Business Corporations Act (Alberta), Article 3 of the Articles of the Corporation be and it is hereby deleted in its entirety and amended to read as follows:

"None."

2. Pursuant to subsection 167(1)(k) of the Business Corporations Act (Alberta), Article 4 of the Articles of the Corporation be and it is hereby amended by increasing the minimum number of directors to three (3) and increasing the maximum number of directors to fifteen (15) so that Article 4 of the Articles of the Corporation shall read as follows:

"Not less than three (3) directors and not more than fifteen (15) directors.";

3. Pursuant to subsection 167(1)(m) of the Business Corporations Act (Alberta), Article 6 of the Articles of the Corporation be and it is hereby deleted in its entirety and amended to read as follows:

"The directors may, between annual general meetings, appoint one or more additional directors of the Corporation to serve until the next annual general meeting, but the number of additional directors shall not at any time exceed 1/3 of the number of directors who held office at the expiration of the last annual meeting of the Corporation."

DATE  
Dec. /92

SIGNATURE

TITLE  
Director

FOR DEPARTMENTAL USE ONLY

FILED