

Form 51-102F3
Material Change Report

PART 1 CONTENT OF MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

State the full name of your company and the address of its principal office in Canada.

Arbour Energy Inc.
540, 1212 - 31 Street NE
Calgary, Alberta T2E 7S8

Item 2 Date of Material Change

State the date of the material change.

August 5, 2005

Item 3 News Release

State the date and method(s) of dissemination of the news release issued under section 7.1 of National Instrument 51-102.

The press release was issued at Calgary, Alberta by Stockwatch.

Item 4 Summary of Material Change

The Corporation announced that the current Series 1 preferred share financing is now fully subscribed at \$33,750,000. The Corporation plans to raise an additional \$26,250,000 by way of 12,500,000 Series 2 preferred shares priced at \$2.10 per share.

The Corporation also announced that it has allocated 1,900,000 stock options pursuant to its stock option plan to directors, officers, employees and consultants.

The Corporation also announced that Carol Hobbs, CA has joined the company as CFO.

Item 5 Full Description of Material Change

The Corporation announced that the current Series 1 preferred share financing is now fully subscribed at \$33,750,000. The Corporation plans to raise an additional \$26,250,000 by way of 12,500,000 Series 2 preferred shares priced at \$2.10 per share. These shares will be convertible to common shares on a 1.25 preferred for one common basis. The Series 2 preferred shares are for a term of 10 years and carry a cumulative dividend of 7.375%.

The Corporation also announced that it has allocated 1,900,000 stock options pursuant to its stock option plan to directors, officers, employees and consultants. Each option

entitles the holder to subscribe for one common share at \$0.70 per share for a period of 5 years.

The Corporation also announced that Carol Hobbs, CA has joined the company as CFO.

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

If this Report is being filed on a confidential basis in reliance on subsection 7.1(2) or (3) of National Instrument 51-102, state the reasons for such reliance.

Not Applicable.

INSTRUCTION

Refer to subsections 7.1 (4), (5), (6) and (7) of National Instrument 51-102 concerning continuing obligations in respect of reports filed under subsection 7.1(2) or (3) of National Instrument 51-102.

Item 7 Omitted Information

State whether any information has been omitted on the basis that it is confidential information.

None.

Item 8 Executive Officer

Give the name and business telephone number of an executive officer of your company who is knowledgeable about the material change and the Report, or the name of an officer through whom such executive officer may be contacted.

Dennis Morice, President
(403)250-9866

Item 9 Date of Report

August 16, 2005