

**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.N.W.T. 1988, c.S-5**

and

**IN THE MATTER OF
THE PLAN OF ARRANGEMENT INVOLVING
FLOWING ENERGY CORPORATION,
DAYLIGHT ENERGY TRUST AND
DAYLIGHT ENERGY LTD.**

EXEMPTION ORDER

UPON the application of Flowing Energy Corporation (“**Flowing**”), Daylight Energy Trust (the “**Trust**”) and Daylight Energy Ltd. (“**Daylight**”) (collectively, the “**Applicant**”) to the Registrar of Securities (the “**Registrar**”) for an order pursuant to subsections 4(5) and 27(2)(b) of the *Securities Act* R.S.N.W.T. 1988, c.S-5, as amended (the “**Act**”), exempting the distribution of securities described herein and the Applicant from the provisions of the Act requiring registration and the provisions of the Act requiring the filing of a prospectus or statement of material facts;

AND UPON the Applicant representing to the Registrar that:

1. All capitalized terms herein not defined have the same meaning as ascribed to them in the Information Circular and Proxy Statement of the Applicant dated March 4, 2005. The Arrangement will result in Shareholders ultimately receiving for their Common Shares held on the Effective Date, in the case of Shareholders other than Non-Resident Shareholders, Tax-Exempt Shareholders and Employee Shareholders at their election, Trust Unit Consideration or Exchangeable Share Consideration, or a combination thereof, and in the case of Non-Resident Shareholders, Tax-Exempt Shareholders or Employee Shareholders, Trust Unit Consideration.
2. The Arrangement involves a number of steps, including the following, which will be deemed to occur sequentially:
 - (a) the Common Shares held by Dissenting Shareholders who have exercised Dissent Rights which remain valid immediately prior to the Effective Time shall, as of the Effective Time, be deemed to have been transferred to Daylight and as of the Effective Time, such Dissenting Shareholders shall cease to have any rights as securityholders of Flowing other than the right to be paid the fair market value of their Common Shares;

- (b) Daylight will acquire the Issued Trust Units from the Trust in exchange for the Daylight Note;
 - (c) each issued and outstanding Common Share, other than Common Shares held by Tax-Exempt Shareholders, Non Resident Shareholders and Employee Shareholders, will be transferred to Daylight and in consideration therefor each holder of such Common Share, at their election, shall be entitled to receive from Daylight the Trust Unit Consideration or the Exchangeable Share Consideration (together with the Ancillary Rights) for each Common Share;
 - (d) each Common Share held by Tax-Exempt Shareholders and Non-Residents will be transferred to Daylight and in consideration therefor such holder shall receive the Trust Unit Consideration;
 - (e) all Employee Shares (other than those held by or on behalf of a Dissenting Shareholder) shall be transferred to Daylight and each Employee Shareholder shall be entitled to receive from Daylight, the Trust Unit Consideration for each Employee Share held;
 - (f) each holder of an Option (whether vested or unvested, in whole or in part) shall be deemed to have transferred, to Flowing for cancellation, such Option where the In-the-Money Amount is a positive number, and shall, in exchange therefore, receive from Flowing an amount equal to the In-the-Money Amount (if positive); and
 - (g) any remaining outstanding Options shall be cancelled for no consideration and shall cease to represent the right to acquire Common Shares.
3. With respect to the election required to be made by a holder of Common Shares (other than Tax Exempt Shareholders, Non-Resident Shareholders and Employee Shareholders) pursuant to the Plan of Arrangement:
- (a) each of such holders of Common Shares shall make such election by depositing with the Depository, prior to the Election Deadline, a duly completed Letter of Transmittal and Election Form indicating such holder's election, together with certificates representing such holder's Common Shares; and
 - (b) any holder of Common Shares who does not deposit with the Depository a duly completed Letter of Transmittal and Election Form prior to the Election Deadline, or otherwise fails to comply with the requirements of paragraph (a) above and the Letter of Transmittal and Election Form, shall be deemed to have elected to receive only the Trust Unit Consideration for each of such former holder's Common Shares.

4. For greater certainty, with respect to any election required to be made by a holder of Common Shares (other than Tax-Exempt Shareholders, Non-Resident Shareholders and Employee Shareholders), such holder may elect to receive either the Trust Unit Consideration, the Exchangeable Share Consideration or a combination thereof in exchange for the aggregate number of Common Shares in respect of which such an election is made. Furthermore, where the consideration to be received by a holder of Common Shares includes an Exchangeable Share, all such Exchangeable Share Consideration shall be allocated as consideration for each Common Share owned by such holder on a pro-rata basis (other than Employee Shares). In the event that the aggregate number of Exchangeable Shares that would be issued to holders of Common Shares exceed the Exchangeable Share Maximum, then the number of Exchangeable Shares to be issued to any holder, subject to rounding, shall be determined by multiplying the total number of Exchangeable Shares otherwise issuable to such holder by a fraction, the numerator of which is the Exchangeable Share Maximum and the denominator of which is the aggregate number of Exchangeable Shares otherwise issuable to all holders; and a number of Trust Units will be issued to such holder as is necessary to ensure that the combined Trust Unit Consideration and Exchangeable Share Consideration received by the holder is consistent with the number of Common Shares exchanged and the share exchange ratios contemplated by the Plan of Arrangement.
5. With respect to each holder of Common Shares (other than Dissenting Shareholders), at the Effective Time:
 - (a) upon the transfer of Common Shares to Daylight for Trust Units and/or Exchangeable Shares:
 - (i) such holder shall cease to be a holder of Common Shares so exchanged and the name of such holder shall be removed from the register of holders of Common Shares as it relates to the Common Shares so exchanged;
 - (ii) Daylight shall become the holder of the Common Shares so exchanged and shall be added to the register of holders of Common Shares; and
 - (iii) such former holder of Common Shares shall be added to the register of holders of Trust Units and/or Exchangeable Shares, as applicable;
 - (b) upon the cancellation of Options, each holder of such Options shall cease to be an Optionholder and the name of such holder shall be removed from the register of Optionholders.
6. Exchangeable Shares will not be issued to Non-Resident Shareholders, Tax-Exempt Shareholders or Employee Shareholders. Any such Non-Resident Shareholder, Tax-Exempt Shareholder or Employee Shareholder who elects to receive Exchangeable

Shares will be deemed to have elected to receive only Trust Units on completion of the Arrangement.

7. Pursuant to the Arrangement, Shareholders will transfer each of their Common Shares to Daylight and receive in respect of each Common Share held, at their election, either (i) that fraction of a trust unit (each whole trust unit a "Trust Unit") of the Trust as is equal to the quotient obtained when 1 is divided by 13.45; or (ii) that fraction of an exchangeable share (each whole exchangeable share an "Exchangeable Share") of Daylight obtained by dividing (A) the quotient obtained when 1 is divided by 13.45, by (B) the Exchangeable Share Adjustment Ratio (determined as of the last Business Day immediately prior to the Effective Date). No Exchangeable Shares will be issued to Non-Resident Shareholders, Tax-Exempt Shareholders or Employee Shareholders, who will receive, in exchange for each of their Common Shares, Trust Units in the ratio described above.
8. Each holder of an Option (whether vested or unvested, in whole or in part) shall be deemed to have transferred, to Flowing for cancellation, such Option where the In-the-Money Amount is a positive number, and shall, in exchange therefore, receive from Flowing an amount equal to the In-the-Money Amount (if positive). Any remaining outstanding Options shall be cancelled for no consideration and shall cease to represent the right to acquire Common Shares.
9. Directors and officers of Flowing own beneficially, directly or indirectly, or exercise control or direction over, an aggregate of approximately 1,824,958 Common Shares (approximately 4.3% of the outstanding Common Shares).

AND UPON reading and considering the application of Flowing, the Trust and Daylight dated March 23, 2005;

AND UPON the Registrar being satisfied that it would not be prejudicial to the public interest to do so;

IT IS HEREBY ORDERED THAT:

1. Pursuant to subsections 4(5) and 27(2)(b) of the Act, all trades and distributions of securities made in connection with the Arrangement, including all subsequent trades or distributions of securities made pursuant to the provisions of the Exchangeable Shares and certain ancillary agreements relating thereto (all as described in the Information Circular) are not subject to sections 4(1)(a) and 27(2)(a) of the Act.

2. The first trade in the securities acquired pursuant to this order shall be deemed to be a distribution unless the conditions in subsections 2.6(3) and 2.9(1) of Multilateral Instrument 45-102 Resale of Securities are satisfied.

DATED at the City of Yellowknife, in the Northwest Territories, this 1st day of April, 2005.

"Tony Wong"

Tony S.K. Wong
Registrar, Securities & Corporate Registries