



## **TWIN BUTTE ENERGY LTD.**

### **Stock Dividend Program**

### **FREQUENTLY ASKED QUESTIONS**

The following frequently asked questions and answers explain some of the key features of the Twin Butte Energy Ltd. ("**Twin Butte**" or the "**Corporation**") Stock Dividend Program ("**SDP**").

**The following questions and answers are of a general nature only and are expressly subject to the complete text of the SDP, a copy of which may be obtained from Valiant, as plan agent, from the Corporation upon request or from Twin Butte's website at [www.twinbutteenergy.com](http://www.twinbutteenergy.com). Shareholders of Twin Butte should carefully read the complete text of the SDP as well as the information contained in Twin Butte's Information Circular – Proxy Statement dated March 28, 2013 (the "Circular") available on SEDAR and Twin Butte's website under the heading "*Investor Info*". The follow questions and answers are not intended to be nor should they be construed as being legal or investment advice to any particular shareholder of Twin Butte (a "Shareholder").**

The common shares of Twin Butte ("**Common Shares**"), including those shares to be issued in accordance with the SDP, are not and will not be registered under the United States Securities Act of 1933, as amended, and, accordingly, the Common Shares are not being publically offered for sale in the United States or in any of the territories or possessions thereof.

Any capitalized terms not defined herein shall have the meanings attributed thereto in the SDP.

#### **1. What is the Stock Dividend Program?**

The SDP provides Shareholders the opportunity to receive dividends in the form of Common Shares instead of receiving a cash dividend on the dividend payment date. All Common Shares issued under the SDP are issued from the treasury of the Corporation.

#### **2. What are the main features of the SDP?**

Under the SDP, new Common Shares are issued at a 5% discount to the Average Market Price of the Common Shares in respect of the applicable dividend payment.

All transaction fees or service charges in connection with the SDP will be paid by Twin Butte. However, Shareholders who hold their Common Shares through a broker, investment dealer, bank, trust company or other nominee holder (each a "**Nominee**"), known as "beneficial Shareholders", should contact their Nominee to determine if any fees are charged by their Nominee.

Shareholders who have enrolled in the SDP will receive regular statements to assist with record keeping. Beneficial Shareholders will receive such information from their Nominee holder. All administrative costs of the SDP are borne by Twin Butte.

### **3. What are the advantages of the SDP?**

- (a) The SDP provides a convenient and cost-effective way for you to increase your investment in Twin Butte, generally without incurring commissions, service charges or brokerage fees.
- (b) Common Shares are issued as share dividends at a 5% discount to the Average Market Price.
- (c) Dividends paid by the issuance of new Common Shares can be fully invested because fractions of Common Shares as well as whole Common Shares may be credited to your account under the SDP.
- (d) The SDP may result in more favourable tax treatment than participation in Twin Butte's Dividend Reinvestment Plan (the "**DRIP**") or the receipt of cash dividends. See below under the heading "*What are the primary differences between the SDP and DRIP?*"

### **4. What are the primary differences between the SDP and the DRIP?**

Under the DRIP, a cash dividend is paid to the Shareholder and then immediately reinvested through the acquisition of new Common Shares. Under the SDP, there is no cash dividend that is subsequently reinvested; instead, the dividend is paid directly in Common Shares. This creates two primary differences between the SDP and DRIP. First, whereas the DRIP is available to Canadian resident Shareholders and select U.S. Shareholders, the SDP is generally available to most Shareholders, including those resident in the United States.

Second, the issuance of share dividends under the SDP may have different Canadian tax consequences to both Canadian resident and non-resident Shareholders than the reinvestment of cash dividends for Common Shares pursuant to the DRIP or the receipt of cash dividends. The differing tax consequences are summarized below; for further details please consult the terms of the SDP and the DRIP and the Circular available on SEDAR and Twin Butte's website under the heading "*Investor Info*".

- For a Shareholder that is a Canadian resident that is not exempt from taxation, the mechanics of the DRIP require the full amount of the reinvested dividend to be included in the Shareholder's income in the year it is received, where it is subject to tax at the dividend tax rates applicable to such Shareholder. However, the amount or value of a share dividend received under the SDP for the purposes of computing Canadian tax liability is not the market value of the Common Shares being issued in satisfaction of the dividend, but the amount that the Board of Twin Butte chooses to add to the stated capital account as a result of the payment of the share dividend. As Twin Butte intends to add only a nominal amount to its stated capital for share dividends, the amount of the dividend that arises is expected to be nominal and the Shareholder will add a nominal amount to its adjusted cost base for the Common Shares received. As a result, the Shareholder will pay increased capital gains tax in respect of the year the Common Shares are sold rather than tax on dividends in the year of receipt, thereby realizing a potential tax deferral.
- In the case of Shareholders that are not resident in Canada, cash dividends currently received are subject to withholding tax at prescribed rates which typically range from 15% to 25%. The withholding tax applicable to share dividends received under the SDP, however, would track the

stated capital addition. Consequently, as it is anticipated that there will be a nominal addition to stated capital in respect of share dividends declared, no withholding tax should be applied to such share dividends.

**5. Who is eligible to participate?**

All Shareholders are eligible to participate in the SDP including Shareholders that are resident in the United States or "US persons" as defined in Regulation S adopted under the *Securities Act of 1933*, as amended, provided that such Shareholders are not resident in the state of California or any other state where the issuance of securities under the SDP would not qualify for a self-executing exemption or exclusion from registration under the securities laws of the applicable state.

**6. How do I become a participant?**

If you are an eligible registered Shareholder (holding directly through Twin Butte's transfer agent, Valiant), you may enroll in the SDP at any time by completing an Stock Dividend Confirmation Notice and returning it to Valiant no later than four (4) business days prior to the relevant dividend record date.

If you are an eligible beneficial Shareholder whose Common Shares are not registered in your own name but are held through a Nominee, you may participate in the SDP by instructing your Nominee to participate in the SDP on your behalf while maintaining the Common Shares in the Nominee's account.

**7. When does my participation in the SDP start?**

You will become a participant in the SDP as of the first dividend payment date following the receipt by Valiant of a duly completed Stock Dividend Confirmation Notice, either directly from you if you are a registered Shareholder, or if you are a non-registered beneficial Shareholder, on your behalf through the Nominee through which you hold your Common Shares. A Stock Dividend Confirmation Notice must be received by Valiant at least four (4) business days prior to a dividend record date in order to have your dividends reinvested in Common Shares on the corresponding dividend payment date. If Valiant receives a Stock Dividend Confirmation Notice after such date, the cash dividend in respect of that dividend record date will be paid to you by Twin Butte in the usual manner on the corresponding dividend payment date, and your participation in the SDP will commence on the next dividend payment date.

Twin Butte's dividend record dates are normally on the last business day of each month and Twin Butte's dividend payment dates are normally on or about the 15th day of the month following the dividend record date, provided the 15th day of the month is a business day.

**8. What will be the price of the new Common Shares issued under the SDP?**

The price of new Common Shares issued pursuant to the SDP will be 95% of the Average Market Price of the Common Shares in respect of the applicable dividend payment. For the purposes of the SDP, "Average Market Price" means the weighted average trading price of the Common Shares on the Toronto Stock Exchange for the five trading days immediately preceding a dividend payment date.

**9. Will Share Certificates be issued for new Common Shares received under the SDP?**

Share certificates will not ordinarily be issued for Common Shares that are held for your account under the SDP. Instead, such Common Shares will be held by Valiant, as plan agent, either in its own name or

the name of its nominee or in designated accounts on your behalf, and will be shown on your quarterly statement of account.

**10. What statements will I receive under the SDP?**

If you are a registered Shareholder, each quarter a statement of account will be mailed to you. These statements are your continuing record of purchases and should be retained for income tax purposes. In addition, you will be sent annually the appropriate information for tax reporting purposes. If you are a beneficial owner of Common Shares who is enrolled in the SDP through a Nominee, you should receive account and tax information directly from your Nominee.

**11. Will Common Shares that are enrolled in the SDP continue to be enrolled? What about Common Shares that are issued under the SDP?**

Common Shares enrolled by a participant in the SDP will remain enrolled in and will automatically continue to be enrolled in the SDP until such time as the SDP is terminated or until the participant's enrollment is terminated. The Common Shares issued under the SDP will automatically be enrolled in the SDP.

Common Shares purchased by a participant outside of the SDP and registered in exactly the same manner as Common Shares enrolled in the SDP will be automatically enrolled in the SDP. Common Shares purchased by a participant outside of the SDP that are not registered in exactly the same name or manner as Common Shares enrolled in the SDP will not be automatically enrolled in the SDP.

Participants are advised to contact Valiant, as the plan agent, or their Nominee, as applicable, in the event that the participant wishes to enroll such additional Common Shares in the SDP.

**12. Can I sell Common Shares held for my account under the SDP?**

If you wish to sell any of your Common Shares, you must first request that such Common Shares be transferred into your name or, if you participate in the SDP through a Nominee, into your Nominee's name, by requesting a share certificate representing such Common Shares.

**13. How do I terminate participation in the SDP?**

If you are a registered Shareholder, you may terminate your participation in the SDP at any time by completing the termination portion of the statement of account provided to you quarterly and sending it to Valiant or sending written notice of your termination request to Valiant. If you are a non-registered beneficial Shareholder, you must contact the Nominee through which your Common Shares are held in order to terminate your participation in the SDP. If Valiant does not receive the written termination request at least four (4) business days prior to a dividend record date, your termination will not be effective until after the next dividend payment has been completed.

When you terminate your participation in the SDP, or upon termination of the SDP by the Corporation, registered Shareholders will receive a share certificate for the whole Common Shares held in their account and a cash payment for any fractions of a Common Share held.

#### **14. What are the income tax consequences of participation in the SDP?**

For Canadian Shareholders, a stock dividend is not expected to generate dividend income since it is expected that Common Shares issued under the SDP will have a nominal cost base for Canadian tax purposes. Receipt of stock dividends should result in a downward adjustment to the Shareholders' overall cost base in their Common Shares and, if applicable, would be taxed as a capital gain or loss when those Common Shares are sold.

Shareholders that are not resident in Canada and who receive Common Shares pursuant to the SDP are not expected to be subject to Canadian withholding tax with respect to those Common Shares. This means the number of Common Shares issued under the SDP will reflect the entire amount of the stock dividend (and not the amount net of any withholding taxes). Non-resident Shareholders participating in the SDP should not be subject to any Canadian taxation on capital gains when the Common Shares are sold, however, the SDP is likely to attract some form of tax in the non-residents' home country.

Registered Shareholders should expect to receive tax information from Twin Butte's transfer agent, Valiant. For Shareholders holding their Common Shares through a Nominee, tax information should be received from that Nominee.

Further information discussing the terms and potential tax consequences of the SDP, Shareholders should refer to the Circular available on SEDAR or Twin Butte's website under the heading "*Investor Info*" and should contact their own tax advisors concerning the implications of their participation in the SDP.

Questions regarding the SDP should be addressed to:

Valiant Investor Services Inc.  
Suite 310, 606 – 4th Street S.W.  
Calgary, Alberta T2P 1T1  
Telephone: (403) 233-2801  
Facsimile: (403) 233-2857

Or

Twin Butte Energy Ltd.  
Suite 410, 396 – 11th Avenue S.W.  
Calgary, Alberta T2R 0C5  
Attention: Vice President, Finance, Chief Financial Officer and Corporate Secretary  
Telephone: (403) 215-2045  
Facsimile: (403) 215-2055