



## TWIN BUTTE ENERGY LTD. STOCK DIVIDEND PROGRAM

### Introduction

This Stock Dividend Program (the "**Program**") provides eligible holders ("**Shareholders**") of common shares ("**Common Shares**") of Twin Butte Energy Ltd. (the "**Corporation**") with the opportunity to receive Common Shares as payment of all or any portion of dividends declared by the Board of Directors of the Corporation (the "**Board**"), on their Common Shares ("**stock dividends**"). Participation in the Program is optional. Shareholders will continue to receive dividends as declared by the Board in the form of cash, unless they elect to receive stock dividends. Furthermore, the Board may discontinue the declaration and payment of stock dividends at any time, in which case Shareholders would receive dividends as declared by the Board in the form of cash (referred to herein as "**cash dividends**").

### Definitions

In this Program:

"**Average Market Price**" in respect of a particular dividend payment date, refers to the arithmetic average calculated by dividing the total value of Common Shares traded on the TSX by the total volume of Common Shares traded on the TSX over the five trading day period immediately prior to the payment date of the applicable stock dividend on the Common Shares.

"**CDS**" refers to The Canadian Depository for Securities Limited, which acts as a nominee for certain Canadian brokers, investment dealers, financial institutions and other nominees, or its nominee, as applicable.

"**CDS Participants**" refers to brokers, investment dealers, financial institutions or other nominees in their capacity as participants in the CDS depository service who hold Common Shares registered in the name of CDS on behalf of eligible beneficial owners of Common Shares.

"**Nominee**" refers to brokers, investment dealers, financial institutions or other nominees who hold Common Shares registered in their own names on behalf of eligible beneficial owners of Common Shares.

"**Participants**" refers to eligible registered Shareholders who, on the applicable record date for a Dividend, are enrolled in the Program (provided that a reference to Participants shall only refer to CDS to the extent CDS has enrolled in the Program on behalf of eligible beneficial Shareholders and to Nominees to the extent such Nominees have enrolled in the Program on behalf of eligible beneficial Shareholders).

"**Participating Shareholder**" means a Shareholder who participates in the Program.

"**Share Certificate**" means a share certificate representing Common Shares or, if the Corporation is enrolled in the Direct Registration System or another similar system providing for electronic registration in respect of the Common Shares, refers to a Direct Registration System advice or similar document evidencing the electronic registration of ownership of Common Shares.

"**Stock Dividend Confirmation Notice**" means an enrollment and authorization form in a form to be approved by the Corporation and the Program Agent in writing from time to time, which form may be downloaded from [www.valiantrust.com](http://www.valiantrust.com) or from the Corporation's website at [www.twinbutteenergy.com](http://www.twinbutteenergy.com).

"**TSX**" means the Toronto Stock Exchange.

### **Advantages**

The Program allows Shareholders to accumulate additional Common Shares issued from the Corporation's treasury at an effective 5% discount to the market price of the Common Shares on, in certain cases, a more tax-efficient basis as compared to the current Dividend Reinvestment Plan of the Corporation dated effective August 14, 2012 (the "**DRIP**"). The adoption by the Corporation of the Program should not be construed as a guarantee that future dividends will continue to be paid by the Corporation or as to the amount of future dividend payments. The Board routinely evaluates the Corporation's dividend policy, and any decision to pay dividends on the Common Shares will be made by the Board on the basis of the relevant conditions existing at the applicable time.

Many of the provisions of the Program are contained within the terms of the Common Shares included in the Corporation's articles (the "**Articles**") and are summarized in this document. A copy of such share terms, as contained in the Articles, is attached as Appendix "A" hereto for reference. To the extent there is any conflict between the terms of the Program outlined in this document and the share terms contained in the Articles, the share terms contained in the Articles shall prevail and govern.

New Common Shares issued pursuant to the Program will be issued directly by the Corporation to the Program Agent (as defined below) on behalf of the Participants. Accordingly, no commissions, service charges or brokerage fees are payable by Participants in connection with the new Common Shares issued from treasury under the Program. Beneficial owners of Common Shares who wish to participate in the Program should consult their Nominee who holds their Common Shares to enquire as to what fees (if any) their Nominee may charge to enroll or participate in the Program on their behalf.

Dividends in respect of Common Shares that are held under the Program by the Program Agent for the account of a Participant are automatically received as stock dividends in accordance with the Program. Please note, though, that new Common Shares received by CDS Participants will not be held under the Program by the Program Agent but will instead be credited to the accounts of such CDS Participants through CDS.

### **Eligibility to Participate in the Program**

All Shareholders are eligible to participate in the Program 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 Program would not qualify for a self-executing exemption or exclusion from registration under the securities laws of the applicable state.

### **Continuation of Dividend Reinvestment Plan**

The DRIP will remain in place as a complement to the Program. Shareholders who were previously enrolled in the DRIP must take the steps set forth below under "*Procedure to Confirm Acceptance of Stock Dividends*" to participate in the Program.

### **Administration**

Valiant Trust Company currently acts as program agent (the "**Program Agent**" or "**Valiant**") under the Program for and on behalf of Participants. If Valiant ceases to act as Program Agent for any reason, another qualified trust company will be designated by the Corporation to act as Program Agent and Participants will be promptly notified of the change.

### ***Payment of Stock Dividends***

Where a Shareholder has validly elected to receive payment of dividends pursuant to the Program, the Board will declare and pay dividends on the Common Shares through the issuance of additional Common Shares. To facilitate payment of such stock dividends, the share terms also implement procedures for: (i) a Shareholder to elect to accept stock dividends; (ii) determining the value and number of the Common Shares to be distributed by way of a stock dividend; (iii) accounting for the entitlement of Shareholders to fractional Common Shares resulting from stock dividends; (iv) authorizing the sale of Common Shares issued in respect of stock dividends to satisfy tax withholding obligations or to comply with foreign laws or regulations applicable to a Shareholder, if required; and (v) payment of cash in respect of fractional Common Shares upon a person ceasing to be a registered shareholder.

Dividends will be declared in an amount expressed in dollars per Common Share and, for Shareholders who confirm that they are willing to receive dividend payments in Common Shares, would be paid by way of the issuance of a fraction of a Common Share ("**Stock Dividend Share**") per outstanding Common Share determined by dividing the dollar amount of the dividend per Common Share by 95% of the Average Market Price at the applicable dividend payment date. The result of the foregoing is that Shareholders who elect to receive stock dividends will receive additional Common Shares at a 5% discount to the Average Market Price, which is effectively identical to the price at which the Common Shares are currently issued to Canadian-resident Shareholders under the DRIP, and may benefit from certain tax efficiencies as described herein.

The stock dividends would be paid by way of the issuance of a Stock Dividend Share only to registered Shareholders who have delivered to the Program Agent, on or before a date specified by the Board (currently being the fourth business day prior to a dividend record date) (the "**Stock Dividend Confirmation Notice Deadline**"), a Stock Dividend Confirmation Notice confirming that they will accept the Stock Dividend Share as payment of the dividend on all or a portion of their Common Shares entitled to receive the applicable dividend. Beneficial Shareholders who hold their Common Shares through a Nominee may participate in the Program through such Nominee.

Shareholders who do not elect to receive stock dividends will continue to receive cash dividends as declared by the Board (unless such Shareholders are participating in the DRIP, in which case, the terms of the DRIP apply). Therefore, if a registered Shareholder does not deliver a Stock Dividend Confirmation Notice by the Stock Dividend Confirmation Notice Deadline, or delivers a Stock Dividend Confirmation Notice confirming that the holder accepts the Stock Dividend Share as payment of the dividend on some but not all of the holder's Common Shares, the dividend on Common Shares for which no Stock Dividend

Confirmation Notice was delivered, will be paid in cash in the usual manner. See "*Procedure to Confirm Acceptance of Stock Dividends*" below for additional information.

To the extent that any accumulated stock dividends paid on the Common Shares represent one or more whole Common Shares payable to a registered holder of Common Shares that has confirmed that it will accept payment in Common Shares (a "**Participating Shareholder**"), such whole Common Shares will be registered in the name of such holder. For greater clarity, the term "Participating Shareholder" only refers to registered Shareholders (i.e. Shareholders who hold a physical share certificate in their own name evidencing registered ownership of Common Shares) and not to beneficial holders who hold their Common Shares through a Nominee.

### ***Procedure to Confirm Acceptance of Stock Dividends***

Shareholders who are participants in the DRIP will not be automatically enrolled in the Program. Registered and beneficial Shareholders must take the steps outlined below in order to enroll in the Program and elect to receive stock dividends declared by the Corporation rather than receive dividends in the form of cash or reinvested shares pursuant to the DRIP. **If a Shareholder desires to receive dividends in the form of cash or to leave their Common Shares enrolled in the DRIP, no action is required to be taken by such Shareholder.**

#### *Registered Shareholders*

Registered Shareholders that are willing to accept the payment of future dividends declared by the Board in the form of Common Shares pursuant to the Program are required to complete and deliver to the Program Agent a Stock Dividend Confirmation Notice in a form prescribed by the Program Agent at least four business days prior to the record date of a declared dividend, or such other date as determined by the Board. The Stock Dividend Confirmation Notice will permit such Shareholders to confirm that they will accept the Stock Dividend Share as payment of the dividend on all or a stated number of their Common Shares entitled to receive such dividend. A Stock Dividend Confirmation Notice will remain in effect for all dividends declared on the Common Shares to which it relates and which are held by the registered Shareholder, unless the Shareholder delivers a revocation of the Stock Dividend Confirmation Notice to the Program Agent, in which case the Stock Dividend Confirmation Notice will not be effective for any dividends having a record date that is more than four business days following receipt of the revocation notice by the Program Agent. A Stock Dividend Confirmation Notice or revocation of the Stock Dividend Confirmation Notice may only be delivered to the Program Agent in respect of Common Shares for which trades have settled prior to the applicable deadline for notice.

A copy of the Stock Dividend Confirmation Notice may be obtained from the Program Agent, at [www.valianttrust.com](http://www.valianttrust.com) or from the Corporation's website at [www.twinbutteenergy.com](http://www.twinbutteenergy.com). The completed Stock Dividend Confirmation Notice must be returned to Valiant at Suite 310, 606 – 4th Street S.W., Calgary, Alberta T2P 1T1.

Notwithstanding the foregoing, CDS Clearing and Depository Services Inc. ("**CDS**"), The Depository Trust & Clearing Corporation ("**DTC**") and other similar depositories, as registered Shareholders, may participate in the Program and elect to receive stock dividends on behalf of beneficial Shareholders who hold Common Shares through their brokers and the respective depository services by communicating appropriate election and enrollment instructions to the Program Agent in accordance with standard and customary industry practices.

### *Beneficial Shareholders*

Beneficial owners of Common Shares held through Nominees and which are registered in the name of depositories such as CDS in Canada and DTC in the United States, or another nominees, may not directly confirm their acceptance of stock dividends in respect of those Common Shares with the Program Agent, but must instead either: (i) make appropriate arrangements with the Nominee who holds their Common Shares to confirm acceptance of stock dividends on their behalf, either as a nominee that delivers a completed and executed Stock Dividend Confirmation Notice to the Program Agent or, if applicable, as a CDS or DTC participant by providing the appropriate instructions to CDS or DTC, as applicable, within the timeframes required by such depositories; or (ii) transfer the Common Shares such that they are registered in their own name and then confirm acceptance of stock dividends in respect of such Common Shares directly.

Beneficial owners of Common Shares should contact the Nominee who holds their Common Shares to provide instructions regarding their acceptance of stock dividends and to inquire about any applicable deadlines to which the nominee may impose or be subject. By confirming their willingness to receive stock dividends and enrolling in the Program, a beneficial holder (or where such confirmation or enrollment is made by a Nominee on behalf of a beneficial Shareholder, the applicable Nominee) will be deemed to represent and warrant to the Corporation and the Program Agent that the beneficial Shareholder has made such confirmation, election and enrollment prior to the record date for the relevant stock dividend.

### *Fractional Entitlements*

The Program Agent will credit to an account for each Participating Shareholder all fractions of a Common Share amounting to less than one whole share issued by the Corporation to a Participating Shareholder by way of stock dividends.

A Shareholder that ceases to be a registered holder of one or more Common Shares is entitled to receive payment in cash equal to the value of the fractional Common Share. The value of the fractional Common Share would be calculated by reference to the value assigned to the Common Shares for purposes of the last stock dividend paid by the Corporation prior to the date of payment to the registered Shareholder.

### *Authority to Sell Stock Dividend Shares*

The Corporation has the right to sell, or require the Program Agent to sell, all or any part of the Stock Dividend Shares, through the facilities of the TSX or other stock exchange on which the Common Shares are listed for trading if: (i) the Corporation has reason to believe that tax should be withheld and remitted to a taxation authority in respect of any stock dividend paid or payable to a Shareholder, in which case the Corporation would or would cause the Program Agent to pay the sale proceeds to such taxation authority for the purposes of remitting the applicable tax, with any balance not remitted in payment of tax being payable to the Shareholder; or (ii) the Corporation has reason to believe that the payment of a stock dividend in Common Shares to any holder thereof who is resident in or otherwise subject to the laws of a jurisdiction outside Canada might contravene the laws or regulations of such jurisdiction, or could subject the Corporation to any penalty or any legal or regulatory requirements not otherwise applicable to the Corporation, in which case the cash sale proceeds, less any required withholdings, would be delivered to the Shareholder.

***Authority to Amend or Cancel Stock Dividend Confirmation Notice***

The Corporation will have the right to amend a Shareholder's Stock Dividend Confirmation Notice if the Corporation has reason to believe that tax should be withheld and remitted to a taxation authority in respect of any stock dividend paid or payable to a Shareholder in Common Shares, in which case the Corporation may amend the Shareholder's Stock Dividend Confirmation Notice to provide that such Shareholder will receive cash dividends on that portion of the Shareholder's Common Shares to fully satisfy any withholding tax obligations. Similarly, if the Corporation has reason to believe that the payment of a stock dividend in Common Shares might contravene the laws or regulations of the jurisdiction of a Shareholder's residence or to whose laws the Shareholder is subject, or could subject the Corporation to any penalty or any legal or regulatory requirements not otherwise applicable to the Corporation, the Corporation may cancel such shareholder's Stock Dividend Confirmation Notice. The Corporation will provide notice to the shareholder in the event the Corporation determines to amend or cancel such shareholder's Stock Dividend Confirmation Notice.

***Reporting and Entitlement to Share Certificates***

An account will be maintained by the Program Agent for each Participating Shareholder. Each Participating Shareholder's account will include information with respect to the number of whole and fractional Common Shares registered or held in the name of the Participating Shareholder on the record date for the stock dividend, as well as the number of additional whole and fractional Stock Dividend Shares to which the Participating Shareholder has become entitled by reason of the stock dividend. An unaudited statement regarding each Participating Shareholder's account will be mailed on a quarterly basis to each Participating Shareholder. Beneficial Shareholders will continue to receive reports with respect to their holdings of Common Shares and receipt of stock dividends from the Nominee through whom their Common Shares are held. A certificate representing the number of whole Stock Dividend Shares registered in the name of a Participating Shareholder as a result of a stock dividend will only be provided upon request in writing to the Program Agent.

**Restrictions on Eligibility**

The Corporation and the Program Agent reserve the right to deny participation in the Program to any person or agent of any person who appears to be or who the Corporation or the Program Agent has reason to believe is subject to the laws of any jurisdiction which do not permit participation in the Program in the manner sought by such person. The Corporation also reserves the right to refuse participation to, or cancel participation of, any person who, in the opinion of the Corporation, is participating in the Program, which the Corporation believes to be part of a scheme to avoid applicable legal requirements or otherwise engage in unlawful behavior.

**Costs**

No commissions, service charges or brokerage fees are payable by Participants in connection with the purchase of new Common Shares from treasury under the Program. All administrative costs of the Program will be paid by the Corporation.

Beneficial holders of Common Shares who wish to participate in the Program should consult the Nominee who holds their Common Shares to confirm what fees (if any) such Nominee may charge to enroll or participate in the Program on their behalf.

### **Termination of Participation**

A Participant may voluntarily terminate participation in the Program by delivering written notice to the Program Agent. A Share Certificate for the number of whole Common Shares held by the Program Agent under the Program for the account of such Participant will be issued to, and in the name of, such Participant, together with a cheque for the value of any remaining fraction of a Common Share held for the account of such Participant (based on the closing price of Common Shares on the TSX on the day prior to the date on which such notice is received by the Program Agent). Any fraction of a Common Share held for the account of such Participant will be terminated in exchange for such payment.

Participation in the Program will be terminated automatically following receipt by the Program Agent of a written notice of the death of a Participant, with written instructions from a person acting in a representative or fiduciary capacity and satisfactory evidence of their authority to act. A Share Certificate representing the number of whole Common Shares held by the Program Agent under the Program for the account of such deceased Participant will be issued in the name of such deceased Participant or the deceased Participant's estate, as requested, together with a cheque for the value of any remaining fraction of a Common Share held for the account of such deceased Participant (based on the closing price of Common Shares on the TSX on the day prior to the date on which such notice is received by the Program Agent). Such Share Certificate and cheque, if any, will be sent to the representative of the deceased Participant. Any fraction of a Common Share held for the account of such deceased Participant will be cancelled in exchange for such cash payment. A notice of termination or a notice of a Participant's death will take effect upon receipt of such notice by the Program Agent provided such notice is received by the Program Agent no later than four business days immediately preceding a dividend record date. If a notice of termination, or notice of a Participant's death, is received by the Program Agent from a Participant after such date then the Participant's account will not be closed, and participation in the Program will not be terminated, until after the dividend payment date to which such record date relates.

Beneficial owners of Common Shares who are enrolled in the Program through a Nominee and who wish to terminate their participation in the Program must so advise their Nominee.

### **Shareholder Voting**

Whole and fractional Common Shares held under the Program by the Program Agent for a Participant's account on the record date for a vote of Shareholders will be voted in accordance with the instructions of the Participant given on a form to be furnished to the Participant. Common Shares for which voting instructions are not received will not be voted.

### **Responsibilities of the Corporation and the Program Agent**

Neither the Corporation nor the Program Agent will be liable to any registered or beneficial Shareholder for any act or for any omission to act in connection with the operation of the Program. Participants should recognize that neither the Corporation nor the Program Agent can assure a profit or protect them against a loss on the Common Shares issued under the Program.

### **Canadian Federal Income Tax Considerations**

**This summary is of a general nature only and is not intended to be nor should it be construed to be tax advice to any particular shareholder.**

This summary is not exhaustive of all Canadian federal income tax considerations, or of any tax considerations relevant to any other jurisdiction. There is no assurance that the Canada Revenue Agency or other applicable taxation authorities will not disagree with or challenge the tax treatment of stock dividends pursuant to the Program as described below. Shareholders are encouraged to consult their own tax advisors regarding the tax consequences to them of receiving cash or stock dividends.

The following is a summary of the principal Canadian federal income tax considerations generally applicable under the *Income Tax Act* (Canada) (the "**Tax Act**") to Shareholders who: (i) for purposes of the Tax Act, deal at arm's length and are not affiliated with the Corporation; (ii) hold their Common Shares as capital property; and (iii) participate in the Program by delivering a valid Stock Dividend Confirmation Notice to the Program Agent, prior to the Stock Dividend Confirmation Notice Deadline, electing to receive all or a portion of any dividends declared by the Corporation on the Common Shares in the form of additional Common Shares issued by the Corporation from treasury (each a "**Participating Holder**"). Common Shares will generally be considered capital property to a Participating Holder unless the Participating Holder holds the Common Shares in the course of carrying on a business of buying and selling securities or acquired the Common Shares in a transaction or series of transactions considered to be an adventure or concern in the nature of trade.

This summary is based on the current provisions of the Tax Act, the regulations thereunder, and the Corporation's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency, as at the date hereof. This summary does not otherwise take into account or anticipate any changes in law or administrative practice, whether by, legislative, regulatory or judicial action or interpretation, nor does it take into account provincial, territorial or foreign income tax considerations.

This summary is not applicable to a Participating Holder: (i) that is a "specified financial institution" (as defined in the Tax Act); (ii) that is a "financial institution" (as defined in the Tax Act) for purposes of the "mark-to-market rules"; (iii) an interest in which is a "tax shelter investment" for the purposes of the Tax Act; (iv) that has made a functional currency reporting election under the Tax Act; or (v) that is exempt from tax under Part I of the Tax Act. Such Participating Holder should consult their own tax advisors having regard to their particular circumstances.

**As discussed below, the receipt of stock dividends will have Canadian income tax consequences that are different from the Canadian income tax consequences applicable to the receipt of cash dividends. There is no assurance that the Canada Revenue Agency or other applicable taxation authorities will not disagree with or challenge the description below of the tax treatment to a Participating Holder who receives stock dividends pursuant to the Program.**

**This summary is not exhaustive of all possible income tax considerations applicable to participation in the Program or of the holding of the Common Shares. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any Participating Holder.**

**The United States tax consequences for Participating Holders who are resident in, or citizens of, the United States are not described herein. Participating Holders should consult their own tax advisors for advice with respect to the tax consequences of participation in the Program based on their particular circumstances.**



### ***Residents of Canada***

The following portion of this summary is applicable to a Participating Holder who, for the purposes of the Tax Act and any applicable tax treaty or convention and at all relevant times, is resident or deemed to be resident in Canada (a "**Canadian Holder**"). Certain Canadian Holders to whom the Common Shares would not otherwise constitute capital property may elect, in certain circumstances, to have the Common Shares, and every "Canadian security" (as defined in the Tax Act) owned by such person in the taxation year of the election and in all subsequent taxation years, deemed to be capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Persons considering making such election should first consult their own tax advisors.

#### *Taxation of Cash Dividends*

As discussed under the heading "*Payment of Stock Dividends*", Canadian Holders may elect to receive dividends on all or a stated number of their Common Shares in the form of stock dividends. Canadian Holders who elect to receive only a portion of their dividends as stock dividends will receive the balance of the dividends to which they are entitled as cash dividends. In addition, where the Board does not resolve to pay all or a portion of a declared dividend in the form of a stock dividend, Canadian Holders (including Canadian Holders that have delivered a valid Stock Dividend Confirmation Notice to receive their dividends in the form of stock dividends) will receive cash dividends.

The amount of any cash dividends will be included in computing a Canadian Holder's income for purposes of the Tax Act in the taxation year of the Canadian Holder in which the cash dividend is received. The amount of such cash dividends received by a Canadian Holder who is an individual will be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to taxable dividends paid by taxable Canadian corporations. To the extent that the Corporation designates the dividends as "eligible dividends" within the meaning of the Tax Act in the prescribed manner, the amount of such dividends received as cash dividends will be eligible for the enhanced gross-up and dividend tax credit. Cash dividends received by an individual (other than certain specified trusts) may give rise to a liability for minimum tax as calculated under the detailed rules set out in the Tax Act.

The amount of any cash dividends received by a Canadian Holder that is a corporation will normally be deductible in computing such corporation's taxable income. If a Canadian Holder is a "private corporation" (as defined in the Tax Act) or any other corporation resident in Canada and controlled or deemed to be controlled by or for the benefit of an individual or a related group of individuals, the Canadian Holder may be liable under Part IV of the Tax Act to pay a refundable tax of 33 1/3% on the amount of such cash dividends to the extent that such cash dividends are deductible in computing the Canadian Holder's taxable income.

#### *Taxation of Stock Dividends*

As discussed under the heading "*Payment of Stock Dividends*", provided the Board has resolved to pay all or a portion of a declared dividend in the form of a stock dividend, Canadian Holders who have delivered a valid Stock Dividend Confirmation Notice indicating that they will accept all or a portion of the dividends to which they are entitled in the form of stock dividends will receive all or a portion of their dividends as stock dividends.

For the purposes of computing a Canadian Holder's income for purposes of the Tax Act, the amount of a dividend paid in the form of a stock dividend is the amount by which the "paid-up capital" (as defined in the Tax Act) of the shares is increased as a result of the issuance of the Stock Dividend Shares. Generally

speaking, the increase in the paid-up capital of the shares is equal to the increase in the stated capital of those shares for corporate law purposes.

Under the *Business Corporations Act* (Alberta) (the "**ABCA**"), the governing corporate statute, the Board is permitted to add any amount (up to the fair market value of the Common Shares issued) to the stated capital of the Common Shares when additional Common Shares are issued in payment of a stock dividend. The Canadian Holder's pro-rata share of the amount of the increase in the paid-up capital of the Common Shares as a result of payment of a stock dividend will be included in computing such Canadian Holder's income for purposes of the Tax Act and will be taxed in the same manner as a cash dividend, as described above.

It is anticipated that the Board will add only a nominal amount to the stated capital of the Common Shares when Common Shares are issued as payment of a stock dividend. Therefore, it is expected that where a dividend is paid to a Canadian Holder in the form of a stock dividend, the amount of such stock dividend for the purposes of computing a Canadian Holder's income under the Tax Act will be nominal. As a result, it is expected that Canadian Holders will have no material amounts to include in computing their income for the purposes of the Tax Act as a result of receiving a stock dividend.

However, as discussed below under the heading "*Disposition of Common Shares*", the receipt of a stock dividend may increase a capital gain (or decrease a capital loss) realized by a Canadian Holder on a subsequent disposition of Common Shares.

#### *Disposition of Common Shares*

Upon a disposition or a deemed disposition of a Common Share, a Canadian Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Common Share, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Common Share to the Canadian Holder.

The cost to a Canadian Holder of a Common Share received as payment of a stock dividend will be equal to such share's pro-rata portion of the aggregate increase in the paid-up capital of the Common Shares as a result of the payment of all stock dividends paid to Shareholders at that time which, as discussed above, is expected to be nominal. This nominal cost to a Canadian Holder of a Common Share received as a stock dividend generally will be averaged with the adjusted cost base of all other Common Shares held at that time by such Canadian Holder as capital property for the purposes of determining the adjusted cost base of each such share to the Canadian Holder.

One-half of any such capital gain (a "**taxable capital gain**") realized by a Canadian Holder will be required to be included in computing the Canadian Holder's income, and one-half of any such capital loss (an "**allowable capital loss**") realized by a Canadian Holder must generally be deducted against taxable capital gains realized by the Canadian Holder in the year of disposition.

Allowable capital losses not deductible in the taxation year in which they are realized may ordinarily be deducted by the Canadian Holder against taxable capital gains realized in any of the three preceding taxation years or any subsequent taxation year, subject to the detailed rules contained in the Tax Act in this regard. Capital gains realized by an individual (other than certain specified trusts) may be subject to minimum tax.

If the Canadian Holder is a corporation, the amount of any capital loss otherwise realized on the disposition or deemed disposition of a Common Share by the Canadian Holder may be reduced by the

amount of dividends received or deemed to have been received by the Canadian Holder on such Common Share to the extent and in the circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or beneficiary of a trust that owns Common Shares, or where a partnership or trust of which a corporate Shareholder is a member or beneficiary is itself a member of a partnership or a beneficiary of a trust that owns Common Shares.

If the Canadian Holder is a "Canadian-controlled private corporation" (as defined in the Tax Act), the Canadian Holder may also be liable to pay a 6 2/3% refundable tax on certain investment income, including taxable capital gains.

### ***Non-Residents of Canada***

The following section summarizes the principal Canadian federal income tax considerations generally applicable to a Participating Holder if: (i) at all relevant times, for purposes of the Tax Act and any applicable tax treaty or convention, the Participating Holder is not resident and is not deemed to be resident in Canada; (ii) the Participating Holder does not use or hold (and will not use or hold) and is not deemed to use or hold the Common Shares in, or in the course of, carrying on a business in Canada and does not carry on an insurance business in Canada and elsewhere; and (iii) the Participating Holder's Common Shares do not constitute "taxable Canadian property" for purposes of the Tax Act (a "**Non-Resident Holder**").

Provided that the Common Shares are listed on a designated stock exchange (which includes the TSX) at a particular time, the Common Shares generally will not constitute taxable Canadian property to a Non-Resident Holder at that time unless at any time during the five year period immediately preceding that time 25% or more of the issued shares of any class or series of the capital stock of the Corporation were owned by the Non-Resident Holder, by persons with whom the Non-Resident Holder did not deal at arm's length or by the Non-Resident Holder and any such persons. A Non-Resident Holder's Common Shares can also be deemed to be taxable Canadian property in certain circumstances set out in the Tax Act.

### *Taxation of Cash Dividends*

Non-Resident Holders may elect to receive dividends on all or a stated number of their Common Shares in the form of stock dividends. Non-Resident Holders who elect to receive only a portion of their dividends as stock dividends will receive the balance of the dividends to which they are entitled as cash dividends. In addition, where the Board does not resolve to pay all or a portion of a declared dividend in the form of a stock dividend, Non-Resident Holders (including Non-Resident Holders that have delivered a valid Stock Dividend Confirmation Notice to receive their dividends in the form of stock dividends) will receive cash dividends.

Cash dividends on the Common Shares paid or credited or deemed under the Tax Act to be paid or credited to a Non-Resident Holder generally will be subject to Canadian withholding tax at the rate of 25%, subject to any applicable reduction in the rate of such withholding under an income tax treaty between Canada and the country where the Non-Resident Holder is resident. For example, under the *Canada-United States Income Tax Convention (1980)* (the "**Treaty**"), the withholding tax rate in respect of a cash dividend paid to a person who is the beneficial owner of the cash dividend and is resident in the United States for purposes of, and entitled to full benefits under, the Treaty, is generally reduced to 15%.

Under the Treaty, cash dividends paid to certain religious, scientific, literary, educational or charitable tax exempt organizations and certain pension organizations that are resident, and exempt from tax, in the United States are exempt from Canadian withholding tax. Provided that certain administrative procedures

are observed regarding registration of such organizations, the Corporation will not be required to withhold tax from cash dividends paid to such organizations. Qualifying organizations that fail to follow the required administrative procedures will have to file a claim for refund to recover any amounts withheld.

#### *Taxation of Stock Dividends*

Provided the Board has resolved to pay all or a portion of a declared dividend in the form of a stock dividend, Non-Resident Holders who have delivered a valid Stock Dividend Confirmation Notice indicating that they will accept all or a portion of the dividends to which they are entitled in the form of stock dividends will receive all or a portion of their dividends as stock dividends.

For the purposes of computing the Canadian withholding tax applicable to a stock dividend received by a Non-Resident Holder, the amount of a stock dividend is determined in the same manner as the determination of the amount of a stock dividend for the purposes of computing the income of a Canadian Holder. In other words, the amount of the stock dividend is the amount by which the "paid-up capital" (as defined in the Tax Act) of the Common Shares is increased as a result of the issuance of the Stock Dividend Shares. Generally speaking, the increase in the paid-up capital of the Common Shares is equal to the increase in the stated capital of those Common Shares for corporate law purposes. Under the ABCA, the corporate governing statute, the Board is permitted to add any amount (up to the fair market value of the Common Shares issued) to the stated capital of the Common Shares when additional Common Shares are issued in payment of a stock dividend. The Non-Resident Holder's pro-rata share of the amount of the increase in the paid-up capital of the Common Shares as a result of payment of a stock dividend (which, as noted above, is expected to be nominal) will be subject to Canadian withholding tax in the same manner as a cash dividend, as described under the heading "*Taxation of Cash Dividends*" above.

It is anticipated that the Board will add only a nominal amount to the stated capital of the Common Shares when Common Shares are issued as payment of a stock dividend. Therefore, it is expected that where a dividend is paid to a Non-Resident Holder in the form of a stock dividend, the amount of such stock dividend for the purposes of computing the Canadian withholding tax applicable to a stock dividend received by such Non-Resident Holder will be nominal. As a result, it is expected that stock dividends paid to Non-Resident Holders will not be subject to any material amounts of Canadian withholding tax.

#### *Disposition of Common Shares*

A Non-Resident Holder will generally not be subject to tax under the Tax Act in respect of any capital gain realized on the disposition of Common Shares so long as the Common Shares are not "taxable Canadian property" in the hands of such Non-Resident Holder. **Non-Resident Holders should consult with their own tax advisors to determine whether a disposition of Common Shares will be subject to tax in their jurisdiction of residence.**

#### **Amendment or Termination of the Program**

The Corporation reserves the right to amend or terminate the Program at any time, but such action shall have no retroactive effect that would prejudice the interests of Shareholders. In the event that the Corporation amends the Program, no written notice of any such amendment will be sent to Participants unless the interests of Participants are, in the opinion of the Corporation, materially prejudiced as a result of such amendment. Generally, no notice will be given to Participants regarding any amendments to the Program intended to cure, correct or rectify any ambiguities, defective or inconsistent provisions, errors,

mistakes or omissions. Where required, amendments to the Program will be subject to the prior approval of the TSX.

In the event that the Corporation terminates the Program, all Participants will be sent written notice of such termination and the Program Agent will send to the Participants Share Certificates for whole Common Shares held for Participants' accounts under the Program and cheques for the value of any remaining fractions of Common Shares in such Participants' accounts (based on the closing price of Common Shares on the TSX on the day prior to the date on which the Program is terminated) for the account of such Participants prior to such termination but not invested in Common Shares. In the event that the Corporation terminates the Program, no investment will be made by the Program Agent on the dividend payment date immediately following the effective date of such termination, and any dividends paid after the effective date of such termination that would, but for the termination, be reinvested under the Program, will be remitted to the Participants.

### **Interpretation**

Any issues of interpretation arising in connection with the Program or its application shall be conclusively determined by the Corporation.

### **Notices**

All notices or other documents required to be given to Participants under the Program, including certificates for Common Shares and cheques, shall be mailed to Participants who are registered holders of Common Shares at their addresses as shown in the register of Shareholders maintained by the registrar and transfer agent of the Corporation or to Participants which are CDS Participants at their address as shown in the accounts or other records maintained by the Program Agent in respect of CDS Participants.

Questions relating to the Program should be directed to the Program Agent.

Notices to the Program Agent or correspondence regarding the Program shall be sent to:

Valiant Trust Company  
Suite 310, 606 – 4th Street S.W.  
Calgary, Alberta T2P 1T1  
Fax: (403) 233-2857  
or by visiting [www.valianttrust.com](http://www.valianttrust.com)

To download forms or to enroll in the Program online see [www.valianttrust.com](http://www.valianttrust.com).

Notices to the Corporation shall be sent to:

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

**Effective Date**

The effective date of the Program is May 15, 2013.

**APPENDIX "A"**  
**COMMON SHARE TERMS CONTAINED IN THE ARTICLES OF**  
**TWIN BUTTE ENERGY LTD.**

**1. Common Shares**

The unlimited number of Common Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

- (a) the holders of Common Shares shall be entitled to notice of, to attend and to one vote per share held at any meeting of the shareholders of the Corporation (other than meetings of a class or series of shares of the Corporation other than the Common Shares as such);
- (b) the holders of Common Shares shall be entitled to receive dividends as and when declared by the Board of Directors of the Corporation on the Common Shares as a class, subject to prior satisfaction of all preferential rights to dividends attached to shares of other classes of shares of the Corporation ranking in priority to the Common Shares in respect of dividends; and
- (c) the holders of Common Shares shall be entitled in the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, and subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of the Corporation ranking in priority to the Common Shares in respect of return of capital on dissolution, to share rateably, together with the holders of shares of any other class of shares of the Corporation ranking equally with the Common Shares in respect of return of capital on dissolution, in such assets of the Corporation as are available for distribution.

If the Board of Directors of the Corporation declare a dividend on the Common Shares payable in whole or in part in fully paid and non-assessable Common Shares (the portion of the dividend payable in Common Shares being herein referred to as a "**stock dividend**"), the following provisions shall apply:

- (a) unless otherwise determined by the Board of Directors of the Corporation in respect of a particular stock dividend: (i) the number of Common Shares (which shall include any fractional Common Shares) to be issued in satisfaction of the stock dividend shall be determined by dividing (A) the dollar amount of the particular stock dividend, by (B) 95% of the "Average Market Price" of a Common Share on the Toronto Stock Exchange (the "**TSX**"), with the "**Average Market Price**" calculated by dividing the total value of Common Shares traded on the TSX by the total volume of Common Shares traded on the TSX over the five trading day period immediately prior to the payment date of the applicable stock dividend on the Common Shares; and (ii) the value of a Common Share to be issued for the purposes of each stock dividend declared by the Board of Directors of the Corporation shall be deemed to be the Average Market Price of a Common Share;
- (b) to the extent that any stock dividend paid on the Common Shares represents one or more whole Common Shares payable to a registered holder of Common Shares, such whole Common Shares shall be registered in the name of such holder. Common Shares representing in the aggregate all of the fractions amounting to less than one whole Common Share which might otherwise have been payable to registered holders of Common Shares by reason of such stock dividend shall be issued to the transfer agent for the Common Shares as the agent of such registered holders of Common Shares. The transfer agent shall credit to an account for each such registered holder all

fractions of a Common Share amounting to less than one whole share issued by the Corporation by way of stock dividends in respect of the Common Shares registered in the name of such holder. From time to time, when the fractional interests in a Common Share held by the transfer agent for the account of any registered holder of Common Shares are equal to or exceed in the aggregate one additional whole Common Share, the transfer agent shall cause such additional whole Common Share to be registered in the name of such registered holder and thereupon only the excess fractional interest, if any, will continue to be held by the transfer agent for the account of such registered holder. The Common Shares held by the transfer agent representing fractional interests shall not be voted;

- (c) if at any time the Corporation shall have reason to believe that tax should be withheld and remitted to a taxation authority in respect of any stock dividend paid or payable to a shareholder in Common Shares, the Corporation shall have the right to sell, or to require its transfer agent in each case as agent of such shareholder, to sell all or any part of the Common Shares or any fraction thereof so issued to such holder in payment of that stock dividend or one or more subsequent stock dividends through the facilities of the TSX or other stock exchange on which the Common Shares are listed for trading, and to cause the transfer agent to remit the cash proceeds from such sale to such taxation authority (rather than such holder) in payment of such tax to be withheld. This right of sale may be exercised by notice given by the Corporation to such holder and to the Corporation or the transfer agent stating the name of the holder, the number of Common Shares to be sold and the amount of the tax which the Corporation has reason to believe should be withheld. Upon receipt of such notice the transfer agent shall, unless a certificate or other evidence of registered ownership for the Common Shares has at the relevant time been issued in the name of the holder, sell the Common Shares as aforementioned and the Corporation or the transfer agent as applicable, shall be deemed for all purposes to be the duly authorized agent of the holder with full authority on behalf of such holder to effect the sale of such Common Shares and deliver the proceeds therefrom to the applicable taxation authority on behalf of the Corporation. Any balance of the cash sale proceeds not remitted by the Corporation in payment of the tax to be withheld shall be payable to the holder whose Common Shares were so sold by the transfer agent;
- (d) if at any time the Corporation shall have reason to believe that the payment of a stock dividend to any holder thereof who is resident in or otherwise subject to the laws of a jurisdiction outside Canada might contravene the laws or regulations of such jurisdiction, or could subject the Corporation to any penalty thereunder or any legal or regulatory requirements not otherwise applicable to the Corporation, the Corporation shall have the right to sell, or to require its transfer agent in each case, as agent of such shareholder, to sell through the facilities of the TSX or other stock exchange on which the Common Shares are listed for trading, the Common Shares or any fraction thereof so issued and to cause the transfer agent to pay the cash proceeds from such sale to such holder. The right of sale shall be exercised in the manner provided in subparagraph (c) above except that in the notice there shall be stated, instead of the amount of the tax to be withheld, the nature of the law or regulation which might be contravened or which might subject the Corporation to any penalty or legal or regulatory requirement. Upon receipt of the notice, the Corporation or the transfer agent shall, unless a certificate or other evidence of registered ownership for the Common Shares has at the relevant time been issued in the name of the holder, sell the Common Shares as aforementioned and the Corporation or the transfer agent, as applicable shall be deemed for all purposes to be the duly authorized agent of the holder with full authority on behalf of such holder to effect the sale of such Common Shares and to deliver the proceeds therefrom to such holder;



- (e) upon any registered holder of Common Shares ceasing to be a registered holder of one or more Common Shares, such holder shall be entitled to receive from the transfer agent, and the transfer agent shall pay as soon as practicable to such holder, an amount in cash equal to the proportion of the value of one Common Share that is represented by the fraction less than one whole Common Share at that time held by the transfer agent for the account of such holder, and, for the purpose of determining such value, each Common Share shall be deemed to have the value equal to the Average Market Price in respect of the last stock dividend paid by the Corporation prior to the date of such payment; and
- (f) for the purposes of the foregoing: (i) the calculation of a fraction of a Common Share payable to a shareholder by way of a stock dividend and the calculation of the Average Market Price shall be computed to six decimal places, and shall be rounded to the nearest sixth decimal place; and (ii) neither the Corporation nor its transfer agent shall have any obligation to register any Common Share in the name of a person, to deliver a certificate or other document representing Common Shares registered in the name of a shareholder or to make a cash payment for fractions of a Common Share, unless all applicable laws and regulations to which the Corporation and/or the transfer agent are, or as a result of such action may become, subject, shall have been complied with to their reasonable satisfaction.