

## Letter of Instruction for Eligible Holders of Common Shares in the Capital of Avalon Exploration Ltd.

This package (the "**Tax Election Package**") is made available to all Exchanging Avalon Shareholders (as defined in the Letter of Transmittal and Election Form) who duly elected to receive Twin Butte Shares in respect of their Avalon Shares as part of the arrangement involving Avalon Exploration Ltd. ("**Avalon**"), Twin Butte Energy Ltd. ("**Twin Butte**") and Twin Butte Holdings Ltd. ("**AcquisitionCo**") that became effective on August 29, 2012 (the "**Arrangement**"). Pursuant to the Arrangement, Exchanging Avalon Shareholders exchanged their Avalon Shares by either completing the relevant Letter of Transmittal and Election Form mailed with the Information Circular dated July 25, 2012 (the "**Circular**") or by directing their broker, dealer, bank, trust company, or other nominee to deposit their Avalon Shares in exchange for Twin Butte Shares.

Capitalized terms not defined in this letter have the meaning assigned to them in the Circular and/or in the Letter of Transmittal and Election Form.

### Introduction

Pursuant to the Arrangement, Exchanging Avalon Shareholders exchanged their Avalon Shares directly with Twin Butte and received 1.1 Twin Butte Shares (subject to rounding for fractional shares) for each Avalon Share held on August 29, 2012, being the effective date of the Arrangement (the "**Effective Date**").

Subject to certain restrictions set out below, an Exchanging Avalon Shareholder is entitled to opt out of the automatic deferral (as described in the Circular) by making a joint tax election with Twin Butte under subsection 85(1) of the Income Tax Act (Canada) (the "**Tax Act**") or, in the case of an Exchanging Avalon Shareholder that is a partnership, under subsection 85(2) of the Tax Act, as well as under provincial or territorial law, where applicable (in any case, a "**Tax Election**"). The procedure for making a Tax Election is set out herein.

### Disclaimers

#### *General Disclaimer*

The following instructions are of a general nature only, may not be exhaustive and are not intended to be (nor should they be construed as) legal or tax advice to any particular Exchanging Avalon Shareholders concerning the Tax Election. Furthermore, none of Avalon, Twin Butte, AcquisitionCo and their successors or affiliates has provided or will provide Exchanging Avalon Shareholders any advice respecting the Tax Election or the manner of its completion or execution by virtue of (i) the following instructions, (ii) the Sample Form T2057, or (iii) Twin Butte's execution of Tax Election forms. **Accordingly, Exchanging Avalon Shareholders are urged to consult their own tax advisors for specific advice in respect of making the Tax Election and the proper completion and execution of the required forms, having regard to their personal circumstances.**

### *Provincial Election Forms*

Further, Exchanging Avalon Shareholders may be required to file additional elections in order to comply with provincial or territorial income tax laws analogous to or respecting subsections 85(1) or 85(2) of the Tax Act. Exchanging Avalon Shareholders are urged to consult their own tax advisors for advice on any additional filing requirements.

#### **Who is Eligible to File a Tax Election?**

Only Exchanging Avalon Shareholders are permitted to make this election jointly with Twin Butte. As set out in the Letter of Transmittal and Election Form, an Exchanging Avalon Shareholder is an Avalon Shareholder (other than a Dissenting Shareholder) who at all relevant times is not a Non-Resident Shareholder (as defined in the Letter of Transmittal).

#### **Completion and Submission of Tax Election Forms**

Under the Arrangement, an Exchanging Avalon Shareholder is entitled to make a Tax Election by providing two signed copies of the necessary election forms to Twin Butte within 120 days following the Effective Date, duly completed with the details of the number of Avalon Shares transferred and the applicable agreed amount or amounts for the purposes of such election. Thereafter, subject to the election forms complying with the provisions of the Tax Act (or applicable provincial or territorial income tax law), the forms will be signed by Twin Butte and returned to such Exchanging Avalon Shareholder by ordinary mail within 30 days after the receipt thereof by Twin Butte for filing with the Canada Revenue Agency ("CRA") (or the applicable provincial or territorial tax authority). Under the terms of the Arrangement, Twin Butte will not be responsible for the proper completion of any election forms and, except for the obligation of Twin Butte to so sign and return duly completed election forms which are received by Twin Butte within 120 days of the Effective Date, Twin Butte will not be responsible for any taxes, interest or penalties resulting from the failure by an Exchanging Avalon Shareholder to properly complete or file the election forms in the form and manner and within the time prescribed by the Tax Act (or any applicable provincial or territorial legislation). In its sole discretion, Twin Butte may choose to sign and return an election form received by it more than 120 days following the Effective Date, but Twin Butte will have no obligation to do so.

To make a valid Tax Election, Exchanging Avalon Shareholders must properly complete and execute the required Tax Election forms:

- CRA Form T2058 (for Exchanging Avalon Shareholders that are partnerships);
- CRA Form T2057 (for all other Exchanging Avalon Shareholders); and
- any applicable Provincial or Territorial election forms.

Exchanging Avalon Shareholders are responsible for ensuring that the individual signing the Tax Election is authorized to do so. Tax Elections signed by unauthorized individuals may be invalid. Exchanging Avalon Shareholders who choose to make a Tax Election must provide to Valiant Trust Company (the "**Depositary**") two signed copies of the prescribed form of election (including any provincial tax election forms relevant to such Eligible Holders) by no later than December 27, 2012, duly completed with the details of the number of Avalon Shares transferred and the applicable agreed amount for the purposes of the election.

To ensure the availability of a Tax Election (and any analogous elections under provincial or territorial legislation), two copies of the applicable election forms must be properly completed and executed and must be received by the Depositary at the address below no later than December 27, 2012.

**Valiant Trust Company  
Attention: Corporate Actions  
Suite 310, 606 - 4 Street SW  
Calgary, AB T2P 1T1**

To avoid the assessment of a late filing penalty, the CRA must receive the Tax Election on or before the earlier of the day on which either Twin Butte or the Exchanging Avalon Shareholder must file an income tax return for the taxation year in which the exchange occurs. Because Twin Butte has a taxation year end of August 29, 2012, **all tax elections are due for filing no later than February 28, 2013**. Depending on their own particular circumstances, some Exchanging Avalon Shareholder's filing deadlines may be earlier and as such Exchanging Avalon Shareholders should consult their own advisors with respect to such deadlines. **It is the responsibility of the Exchanging Avalon Shareholder to file the signed and completed forms with the CRA within the appropriate time frame.**

#### **Partially Completed Election Forms**

The following versions of Form T2057 are included in this information package:

1. A partially completed Form T2057, marked "SAMPLE FORM T2057" (the "**Sample Form**"), is included in the package **for illustration purposes only. The numbering on this form will correspond to the instructions below. Do not complete the Sample Form and do not return the Sample Form to Twin Butte.**
2. One partially Form T2057 (the "**Original Form T2057**") is also included in the package. The Original Form T2057 is to be completed and signed by the Exchanging Avalon Shareholder and returned to the Depositary at the above address **on or before December 27, 2012.**

Please consult your advisor on the completion of any additional Prescribed Forms (such as Form T2058 and any applicable provincial or territorial tax forms).

Please refer to the following instructions that relate to the Sample Form and which are intended to assist Exchanging Avalon Shareholders and their advisors in completing the Original Form T2057:

**INSTRUCTIONS  
FOR COMPLETING ORIGINAL FORM T2057**

The instructions set out below apply to you if you are an Exchanging Avalon Shareholder that is not a partnership. Please refer to the Sample Form, which has been cross-referenced with the numbered instructions below, when completing the Original Form T2057.

Page 1 of Form T2057

#1 Indicate:

- your name;
- your social insurance number or business number;
- your address and postal code;
- your taxation year that includes August 29, 2012. For most individuals, the applicable taxation year will be January 1, 2012 to December 31, 2012; and
- your Tax Services Office (this is determined by the geographical area in which you reside).

#2 Only complete this section if your Avalon Shares were held in co-ownership (including joint ownership).<sup>1</sup>

#3 Only complete this section if you are filing the form T2057 after its filing due date.

---

<sup>1</sup> Where Avalon Shares were held in co-ownership and two or more of the co-owners wish to make the Joint Tax Election (or relevant provincial or territorial election), a co-owner designated for such purpose (the "**Designated Co-Owner**") must ensure receipt of the following documents by the Depository, Valiant Trust Company: (1) a written designation signed by each co-owner, authorizing the Designated Co-Owner to complete, sign and file form T2057 (and any other relevant provincial or territorial forms) on behalf of that co-owner; (2) two copies of form T2057 (and any relevant provincial or territorial forms) for each co-owner signed by the Designated Co-Owner; and (3) a list containing the name, address and social insurance number or tax account number for each electing co-owner.



### SAMPLE FORM T2057 - DO NOT USE

#### ELECTION ON DISPOSITION OF PROPERTY BY A TAXPAYER TO A TAXABLE CANADIAN CORPORATION

- For use by a taxpayer and a taxable Canadian corporation to jointly elect under subsection 85(1) where the taxpayer has disposed of eligible property within the meaning of subsection 85(1.1) to the corporation and has received as consideration shares of any class in that corporation.
- File one completed copy of the election and related schedules (if any) as follows:
  - 1 - a) one copy by the transferor, or
    - b) two or more copies if two or more transferors elect regarding the transfer of the same property (co-ownership), or two or more members of the same partnership elect for the transfer of their partnership interests. In these situations, one transferor designated for the purpose should file simultaneously one copy for each transferor, together with a list of all transferors electing. This list should contain the address and Social insurance number or Business Number of each transferor;
  - 2 - on or before the **earliest date** on which any one of the parties to the election is required to file an income tax return for the tax year in which the transaction occurred, taking into consideration any election under subsection 99(2) (due date);
  - 3 - at the tax centre serving the area where the transferor is located. Where two or more co-owners or members of a partnership referred to above elect, the elections will be processed in bulk and should be filed at the tax centre of the transferee; and
  - 4 - separate from any tax returns. You may put it in the same envelope with a return, but do not insert it in or attach it to the return.
- Sections and subsections referred to on this form are from the *Income Tax Act*.

Do not use this area

Name of taxpayer (transferor) (print)					Social insurance number or Business Number				
Address					Postal code				
Tax year of taxpayer for the period from	Year	Month	Day	to	Year	Month	Day	Tax services office	

#1

Name of co-owner(s), if any (if more than one, attach schedule giving similar details) (print)					Social insurance number				
Address					Postal code				
					Tax services office				

#2

Name of corporation (transferee) (print)					Business Number				
Twin Butte Energy Ltd.					885 257 741				
Address					Postal code				
Suite 410, 396-11th Avenue S.W., Calgary, Alberta					T2R 0C5				
Tax year of corporation for the period from	Year	Month	Day	to	Year	Month	Day	Tax services office	
	2	0	1	2	0	1	2	Calgary Tax Service Office	
Name of person to contact for additional information					Area code		Telephone number		
R. Alan Steele					403		215-2692		

#3

#### Penalty for late-filed and amended elections

An election that is filed after its due date is subject to a late-filing penalty. Form T2057 can be filed within 3 years after its due date if an estimate of the penalty is paid at the time of filing. Form T2057 can also be amended or filed after the 3-year period, but in these situations, a written explanation of the reason the election is amended or late-filed must be attached for consideration by the Minister and an estimate of the applicable penalty must be paid when this election is filed.

##### Calculation of late-filing penalty:

Fair market value of property transferred .....	_____	
Less: agreed amount .....	_____	
Difference .....	_____	A
Amount A _____ x 1/4 x 1% x N* .....	= _____	B
\$100 x N* .....	= _____	C

\* N represents the sum of each month or each part of a month in the period from the due date to the actual filing date. Amount C cannot exceed \$8,000.

Late-filing penalty is the lesser of B and C above .....

Make a cheque or money order payable to the Receiver General. Specify "T2057" on the remittance and, to ensure proper credit, indicate the name and social insurance number of the taxpayer, or Business Number if a corporation.

Amount enclosed \_\_\_\_\_

Unpaid amounts including late-filing penalties are subject to daily compound interest, at a prescribed rate.

Do not use this area

- #4 If you are a corporation, please indicate whether your Avalon Shares transferred to Twin Butte under the Arrangement represented 90% or more of all of your properties.
- #5 In response to question 6 of the form, check the "yes" box if you held your elected Avalon Shares as capital property for purposes of the Tax Act; otherwise, check the "no" box. Whether your elected Avalon Shares were capital property to you is generally a question of fact which can only be determined based on a consideration of your particular circumstances. **The instructions below assume that you held your elected Avalon Shares as capital property.**
- #6 Respond to this question if you checked the "yes" box pursuant to Instruction #5. In response to question 6(b) of the form, check the "yes" box if you acquired your Elected Shares after December 31, 1971 in a transaction considered not be at "arm's length" for the purpose of the Tax Act; otherwise, check the "no" box. Whether your elected Avalon Shares were acquired in a non-arm's length transaction is a question of fact and law. For example, one circumstance in which individuals are considered not be dealing at arm's length is when they are connected by blood relationship, marriage or common-law partnership or adoption. For additional information on "arm's length," please refer to Interpretation Bulletin IT-419R2 "Meaning of Arm's Length" (June, 2004) issued by the CRA.
- #7 Respond to this question only if you checked the "yes" box pursuant to Instruction #5.
- #8 Insert the number of Twin Butte shares that you received in exchange for your elected Avalon Shares.

**SAMPLE FORM T2057 - DO NOT USE**

**Information required**

On the following page, list, describe, and state the fair market value of transferred properties. The description and fair market value of the consideration received has to be shown opposite the related property transferred. Where the transferred property is a partnership interest, attach a schedule of the calculation of the adjusted cost base. If space on the form is insufficient, attach schedules giving similar details. You have to designate the order of disposition of each depreciable property. With this election you do not have to file the following materials: schedules supporting this designation, documentation relating to the responses to the questions below, and a brief summary of the method of evaluating the fair market value of each property transferred. However you have to keep them as the Canada Revenue Agency may ask to see them at a later date.

- 1 - Is there a written agreement relating to this transfer?  Yes  No
- 2 - Does a price adjustment clause apply to any of the properties? (See the Interpretation Bulletin IT-169 for details.)  Yes  No
- 3 - Do any persons other than the taxpayer own or control directly or indirectly any shares of any class of the transferee?  Yes  No
- 4 - Does a non-arm's length rollover exist between 2 or more corporations?  
 a) Have all or substantially all (90% or more) of all the properties of the corporation(s) been transferred to the transferee corporation?  Yes  No
- 5 - Is the taxpayer a non-resident of Canada?  Yes  No
- 6 - Are any of the properties transferred capital properties?  Yes  No
- If yes,**
- a) have they been owned continuously since Valuation-Day (V-Day)?  Yes  No
- b) have they been acquired after V-Day in a transaction considered not to be at arm's length?  Yes  No
- c) since V-Day, has the taxpayer or any person from whom shares were acquired in a non-arm's length transaction received any subsection 83(1) dividends for transferred shares? (If yes, provide details of amounts and dates received and attach a schedule.)  Yes  No
- 7 - Is the agreed amount of any of the transferred properties based on an estimate of fair market value on V-Day?  
 a) If yes, does a formal documented V-Day value report exist?  Yes  No  No NA
- 8 - Has an election under subsection 26(7) of the *Income Tax Application Rules* (Form T2076) been filed by or on behalf of the taxpayer?  Yes  No

Where shares of the capital stock of a private corporation are included in the property disposed of, provide the following:

Name of corporation (print) Avalon Exploration Ltd.	Business Number	Paid-up capital of shares transferred determined under 85(2.1) ITA
--	-----------------	--

**Description of shares received**

Number of shares transferred or received	Class of shares	Redemption value per share	Paid-up capital	Voting or non-voting	Are shares retractable? *
#8	Common Shares	shares are non-redeemable	determined under 85(2.1) ITA	Voting	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
					<input type="checkbox"/> Yes <input type="checkbox"/> No
					<input type="checkbox"/> Yes <input type="checkbox"/> No
					<input type="checkbox"/> Yes <input type="checkbox"/> No
					<input type="checkbox"/> Yes <input type="checkbox"/> No

\* Retractable means redeemable at the option of the holder.

**Informative notes**

- The rules for section 85 elections are complex. Essential information is contained in Information Circular, IC76-19 and Interpretation Bulletins, IT-169, IT-291, and IT-378.
- Complete all the information areas and answer all questions. If this form is incomplete, the Canada Revenue Agency may consider the election invalid, and subsequent submissions may be subject to a late-filing penalty.
- If the agreed amount exceeds the adjusted cost base of the property in the election, you must report the difference as a capital gain, as income or a combination of both, whichever applies.

PAGE 3 OF FORM T2057

- #9 You (or your authorized representative if you are not an individual) should sign on this line. **By signing on this line, you are (i) representing to Twin Butte that you are an Exchanging Avalon Shareholder and (ii) certifying that the information given in the Original Form T2057 and the schedule and the documents attached thereto is, to the best of your knowledge, correct and complete.**

Twin Butte will assume that any representative signing the Original Form T2057 (and any other relevant provincial or territorial forms) on behalf of a corporation, trust or estate has been duly authorized to do so, and will not take any action to verify the validity of any such authorization. If you are signing on behalf of an Exchanging Avalon Shareholder, attach a copy of the authorizing agreement.

- #10 Leave this line blank. An authorized officer of Twin Butte will sign on this line if the Original Form T2057 appears to be correct and complete and was received by the Depositary prior to December 27, 2012.

- #11 Leave this line blank. Twin Butte will fill in the date when it executes your Original Form T2057.



**SAMPLE FORM T2057 - DO NOT USE**




**Particulars of Eligible Property Disposed of and Consideration Received**

Date of sale or transfer of all properties listed below:	Year	Month	Day	Note: For properties sold or transferred on different dates, use separate T2057s.			
	2012	08	29				
	Property Disposed of		Agreed Amount (cannot be zero)	Amount to be reported 2 - 4 (if greater than 0 see Note 4)	Consideration Received		
	Description	Elected Amount Limits*			Non-share	Share	Fair Market Value of Total Consideration
		Fair Market Value	A	B	Description	Number and Class	
Capital Property - Excluding Depreciable Property	(First legal)	\$	(See Note 1)	\$	\$		\$
	See attached schedule						
Depreciable Property	(Description and prescribed class)		(See Note 2)				
	N/A						
Eligible Capital Property	(Kind)		(See Note 3)				
	N/A						
Inventory Excluding Real Property	(Kind)		(Cost Amount)				
	N/A						
Resource Property	(First legal)		NIL				
	N/A		NIL				
Security or Discharge Obligation Property	(Description)		(Cost Amount)				
	N/A						
Specified Debt Obligation (For financial institutions only)			(Cost Amount)				
	N/A						
Capital Property That Is Real Property Owned by a Non-Resident Person							
	N/A						
NSA Fund (see note 5)			(Cost Amount)				
	N/A						

- Note 1: Adjusted cost base (which is subject to adjustment per section 53).
- Note 2: The lesser of undepreciated capital cost of all property of the class and the cost of the property.
- Note 3: The lesser of 4/3 x cumulative eligible capital and the cost of the property. (Under proposed changes, new rules will apply on subsequent dispositions of eligible capital property occurring after December 20, 2002).
- Note 4: This amount is to be reported either as a capital gain or as income, whichever applies. Also, in the case of depreciable property and eligible capital property, a portion of the amount may have to be reported as a capital gain while another portion of the amount may have to be reported as income.
- Note 5: Contributions made in a tax year ending after 2007, and amounts earned on those contributions, are only eligible if that property is owned by an individual.
- \* Refer to current Interpretation Bulletin IT-291 for more information on eligible property and an explanation of the limits.

**Election and Certification**

The taxpayer and corporation hereby jointly elect under subsection 85(1) in respect of the property specified, and certify that the information given in this election, and in any documents attached, is to the best of their knowledge, correct and complete.

 and    
 Signature of Transferor, or Authorized Officer of Authorized Person\*      Signature of Authorized Officer of Transferee      Date

\* Attach a copy of authorizing agreement

Schedule to Form T2057

- #12 Insert the number of Avalon Shares that you are electing to dispose of under the Tax Election.
- #13 Insert the fair market value (at the Effective Time) of the Avalon Shares so disposed of. Generally, this should be equal to the fair market value (at the Effective Time) of the total consideration that you received for your Avalon Shares, as determined in Instruction #18 below.
- #14 Insert the total adjusted cost base to you for purposes of the Tax Act immediately before the exchange of your Avalon Shares. If you also held Avalon Shares for which you are not filing a Tax Election, the total adjusted cost base to you of all your Avalon Shares should be apportioned equally among all Avalon Shares owned by you for purposes of the Tax Act.
- #15 Insert the agreed amount (the "**Elected Amount**") which, subject to certain limitations contained in the Tax Act, will be treated as the proceeds of disposition of your elected Avalon Shares.

The limitations imposed by the Tax Act in respect of the Elected Amount are that the Elected Amount may not:

- (a) be less than the sum of any cash consideration received by you on the exchange of your Avalon Shares;
- (b) be less than the lesser of (i) the total adjusted cost base to you of your Avalon Shares so disposed of at the Effective Time, and (ii) the fair market value of your Avalon Shares at that time; and
- (c) exceed the fair market value of your Avalon Shares at the Effective Time.

If the Elected Amount is greater or less than the permissible maximum or minimum amount under the Tax Act, the Elected Amount will be deemed under the Tax Act to be such permissible maximum or minimum amount.

- #16 Insert the difference which results from subtracting the amount at box #14 from the amount at box #15. This difference (less reasonable costs of disposition) is the capital gain (if any) that you must report on your income tax return for your taxation year that includes August 29, 2012.
- #17 Insert the number of Twin Butte Shares that you received for your Avalon Shares. **This number should be the same number entered under Instruction #8.**
- #18 Insert the fair market value (at the Effective Time) of the Twin Butte Shares that you received on the exchange. The fair market value of the Twin Butte Shares must be determined on a reasonable basis. There is no specific method prescribed by the CRA for determining the fair market value of a share, nor is there any clear published guidance in this respect. Twin Butte has determined, based on the facts and circumstances of the Arrangement, that it is appropriate for Canadian federal and provincial tax purposes to value the Twin Butte Shares using the closing price for Twin Butte Shares on August 28, 2012, being the last complete trading day ending before the Arrangement is effective. The closing price for Twin Butte Shares on August 28, 2012

was \$2.64. Twin Butte agrees to execute only those Tax Elections which use this value. Although Twin Butte believes the above value is reasonable, it makes no explicit representation as to its accuracy and notes that the value is not binding on any party (including the CRA) and has not been preapproved by the CRA.

#19 You (or your authorized representative if you are not an individual) should initial on this line. Please indicate under your initials an email address and a telephone number where you can be reached during regular business hours.

#20 Leave this line blank. An authorized officer of Twin Butte will initial on this line if the Original Form T2057 appears to be correct and complete and was received by the Depository prior to December 27, 2012.

## SCHEDULE TO SAMPLE FORM T2057

### Particulars of Eligible Property Disposed of and Consideration Received

Capital Property Excluding Depreciable Property	Property Disposed of			Agreed Amount  B	Amount to be reported  B - A	Consideration Received		
	Description	Elected Amount Limits				Non-Share	Share	Fair Market Value of Total Consideration
		Fair Market Value	Adjusted Cost Base A			Description	Number and Class	
Capital Property Excluding Depreciable Property	#12 Avalon Exploration Ltd. class A common shares	#13	#14	#15	#16	N/A	#17 Twin Butte Energy Ltd. Common Shares	#18

#19

\_\_\_\_\_  
Initials of Transferor

\_\_\_\_\_  
Email Address

(\_\_\_\_\_) \_\_\_\_\_  
Phone Number

#20 Leave Blank

\_\_\_\_\_  
Initials of Authorized Officer of Twin Butte Energy Ltd.

SAMPLE FORM T2057 – DO NOT USE

The following pages contain the

**ORIGINAL FORM T2057**



### ELECTION ON DISPOSITION OF PROPERTY BY A TAXPAYER TO A TAXABLE CANADIAN CORPORATION

- For use by a taxpayer and a taxable Canadian corporation to jointly elect under subsection 85(1) where the taxpayer has disposed of eligible property within the meaning of subsection 85(1.1) to the corporation and has received as consideration shares of any class in that corporation.
- File one completed copy of the election and related schedules (if any) as follows:
  - 1 - a) one copy by the transferor, or
    - b) two or more copies if two or more transferors elect regarding the transfer of the same property (co-ownership), or two or more members of the same partnership elect for the transfer of their partnership interests. In these situations, one transferor designated for the purpose should file simultaneously one copy for each transferor, together with a list of all transferors electing. This list should contain the address and Social insurance number or Business Number of each transferor;
  - 2 - on or before the **earliest date** on which any one of the parties to the election is required to file an income tax return for the tax year in which the transaction occurred, taking into consideration any election under subsection 99(2) (due date);
  - 3 - at the tax centre serving the area where the transferor is located. Where two or more co-owners or members of a partnership referred to above elect, the elections will be processed in bulk and should be filed at the tax centre of the transferee; and
  - 4 - separate from any tax returns. You may put it in the same envelope with a return, but do not insert it in or attach it to the return.
- Sections and subsections referred to on this form are from the *Income Tax Act*.

Do not use this area

Name of taxpayer (transferor) (print)					Social insurance number or Business Number				
Address					Postal code				
Tax year of taxpayer for the period from	Year	Month	Day	to	Year	Month	Day	Tax services office	

Name of co-owner(s), if any (if more than one, attach schedule giving similar details) (print)					Social insurance number									
Address					Postal code					Tax services office				

Name of corporation (transferee) (print) Twin Butte Energy Ltd.					Business Number 885 257 741									
Address Suite 410, 396-11th Avenue S.W., Calgary, Alberta					Postal code T2R 0C5									
Tax year of corporation for the period from	Year	Month	Day	to	Year	Month	Day	Tax services office Calgary Tax Service Office						
Name of person to contact for additional information R. Alan Steele					Area code 403					Telephone number 215-2692				

**Penalty for late-filed and amended elections**

An election that is filed after its due date is subject to a late-filing penalty. Form T2057 can be filed within 3 years after its due date if an estimate of the penalty is paid at the time of filing. Form T2057 can also be amended or filed after the 3-year period, but in these situations, a written explanation of the reason the election is amended or late-filed must be attached for consideration by the Minister and an estimate of the applicable penalty must be paid when this election is filed.

Calculation of late-filing penalty:

Fair market value of property transferred ..... \_\_\_\_\_

Less: agreed amount ..... \_\_\_\_\_

Difference ..... \_\_\_\_\_ **A**

Amount A ..... x 1/4 x 1% x N\* ..... = \_\_\_\_\_ **B**

\$100 x N\* ..... = \_\_\_\_\_ **C**

\* N represents the sum of each month or each part of a month in the period from the due date to the actual filing date. Amount C cannot exceed \$8,000.

Late-filing penalty is the lesser of B and C above .....

Make a cheque or money order payable to the Receiver General. Specify "T2057" on the remittance and, to ensure proper credit, indicate the name and social insurance number of the taxpayer, or Business Number if a corporation.

Unpaid amounts including late-filing penalties are subject to daily compound interest, at a prescribed rate.

Do not use this area

Amount enclosed .....

**Information required**

On the following page, list, describe, and state the fair market value of transferred properties. The description and fair market value of the consideration received has to be shown opposite the related property transferred. Where the transferred property is a partnership interest, attach a schedule of the calculation of the adjusted cost base. If space on the form is insufficient, attach schedules giving similar details. You have to designate the order of disposition of each depreciable property. With this election you do not have to file the following materials: schedules supporting this designation, documentation relating to the responses to the questions below, and a brief summary of the method of evaluating the fair market value of each property transferred. However you have to keep them as the Canada Revenue Agency may ask to see them at a later date.

- 1 - Is there a written agreement relating to this transfer?  Yes  No
  - 2 - Does a price adjustment clause apply to any of the properties? (See the Interpretation Bulletin IT-169 for details.)  Yes  No
  - 3 - Do any persons other than the taxpayer own or control directly or indirectly any shares of any class of the transferee?  Yes  No
  - 4 - Does a non-arm's length rollover exist between 2 or more corporations?  Yes  No
    - a) Have all or substantially all (90% or more) of all the properties of the corporation(s) been transferred to the transferee corporation?  Yes  No
  - 5 - Is the taxpayer a non-resident of Canada?  Yes  No
  - 6 - Are any of the properties transferred capital properties?  Yes  No
- If yes,**
- a) have they been owned continuously since Valuation-Day (V-Day)?  Yes  No
  - b) have they been acquired after V-Day in a transaction considered not to be at arm's length?  Yes  No
  - c) since V-Day, has the taxpayer or any person from whom shares were acquired in a non-arm's length transaction received any subsection 83(1) dividends for transferred shares? (If yes, provide details of amounts and dates received and attach a schedule.)  Yes  No
- 7 - Is the agreed amount of any of the transferred properties based on an estimate of fair market value on V-Day?  Yes  No
    - a) If yes, does a formal documented V-Day value report exist?  Yes  No **N/A**
  - 8 - Has an election under subsection 26(7) of the *Income Tax Application Rules* (Form T2076) been filed by or on behalf of the taxpayer?  Yes  No

Where shares of the capital stock of a private corporation are included in the property disposed of, provide the following:

Name of corporation (print) Avalon Exploration Ltd.	Business Number	Paid-up capital of shares transferred determined under 85(2.1) ITA
--	-----------------	--

**Description of shares received**

Number of shares transferred/received	Class of shares	Redemption value per share	Paid-up capital	Voting or non-voting	Are shares retractable? *
	Common Shares	shares are non-redeemable	determined under 85(2.1) ITA	Voting	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
					<input type="checkbox"/> Yes <input type="checkbox"/> No
					<input type="checkbox"/> Yes <input type="checkbox"/> No
					<input type="checkbox"/> Yes <input type="checkbox"/> No
					<input type="checkbox"/> Yes <input type="checkbox"/> No

\* Retractable means redeemable at the option of the holder.

**Informative notes**

- The rules for section 85 elections are complex. Essential information is contained in Information Circular, IC76-19 and Interpretation Bulletins, IT-169, IT-291, and IT-378.
- Complete all the information areas and answer all questions. If this form is incomplete, the Canada Revenue Agency may consider the election invalid, and subsequent submissions may be subject to a late-filing penalty.
- If the agreed amount exceeds the adjusted cost base of the property in the election, you must report the difference as a capital gain, as income or a combination of both, whichever applies.

**Particulars of Eligible Property Disposed of and Consideration Received**

Date of sale or transfer of all properties listed below:	Year	Month	Day	Note: For properties sold or transferred on different dates, use separate T2057s.				
	2012	08	29					
	Property Disposed of				Consideration Received			
	Description	Elected Amount Limits*		Agreed Amount (cannot be zero) B	Amount to be reported P - A (if greater than 0 see Note 4)	Non-share	Share	Fair Market Value of Total Consideration
Fair Market Value		A	Description			Number and Class		
Capital Property Excluding Depreciable Property	(if not legal)	\$	\$(See note 1)	\$	\$			\$
	See attached schedule							
Depreciable Property	(Description and prescribed class)		(See Note 2)					
	N/A							
Eligible Capital Property	(Kind)		(See Note 3)					
	N/A							
Inventory Excluding Real Property	(Kind)		(Cost Amount)					
	N/A							
Resource Property	(if not legal)		NIL					
	N/A							
Security or Debt Obligation Property	(Description)		(Cost Amount)					
	N/A							
Specified Debt Obligation (For financial institutions only)			(Cost Amount)					
	N/A							
Capital Property That is Real Property Owned by a Non-Resident Person								
	N/A							
MSA Fund (see note 5)			(Cost Amount)					
	N/A							

- Note 1: Adjusted cost base (which is subject to adjustment per section 53).
- Note 2: The lesser of undepreciated capital cost of all property of the class and the cost of the property.
- Note 3: The lesser of 4/3 x cumulative eligible capital and the cost of the property. (Under proposed changes, new rules will apply on subsequent dispositions of eligible capital property occurring after December 20, 2002).
- Note 4: This amount is to be reported either as a capital gain or as income, whichever applies. Also, in the case of depreciable property and eligible capital property, a portion of the amount may have to be reported as a capital gain while another portion of the amount may have to be reported as income.
- Note 5: Contributions made in a tax year ending after 2007, and amounts earned on those contributions, are only eligible if that property is owned by an individual.
- \* Refer to current Interpretation Bulletin IT-291 for more information on eligible property and an explanation of the limits.

**Election and Certification**

The taxpayer and corporation hereby jointly elect under subsection 85(1) in respect of the property specified, and certify that the information given in this election, and in any documents attached, is to the best of their knowledge, correct and complete.

\_\_\_\_\_  
Signature of Transferor, or Authorized Officer of Authorized Person

and

\_\_\_\_\_  
Signature of Authorized Officer of Transferee

\_\_\_\_\_  
Date

\* Attach a copy of authorizing agreement



## SCHEDULE TO SAMPLE FORM T2057

### Particulars of Eligible Property Disposed of and Consideration Received

	Property Disposed of			Agreed Amount B	Amount to be reported B - A	Consideration Received		
	Description	Elected Amount Limits				Non-Share	Share	Fair Market Value of Total Consideration
		Fair Market Value	Adjusted Cost Base A			Description	Number and Class	
Capital Property Excluding Depreciable Property	Avalon Exploration Ltd. class A common shares					N/A	Twin Butte Energy Ltd. Common Shares	

\_\_\_\_\_  
Initials of Transferor

\_\_\_\_\_  
Initials of Authorized Officer of  
Twin Butte Energy Ltd.

\_\_\_\_\_  
Email Address

(\_\_\_\_\_) \_\_\_\_\_  
Phone Number