

Crestwynd Exploration Ltd. Share Exchange Instructions for Completion of S.85(1) Rollover Form

This summary provides an explanation of how to complete form t2057 – to transfer the common shares of Crestwynd Exploration Ltd. (“Crestwynd”) to Tamarack Valley Energy Ltd. (“TVE”) on either a partial or fully tax deferred basis under subsection 85(1) of the Canadian Income Tax Act. Each of the steps below is referenced to the t2057 Form that has been provided with these instructions. PDF and PDF fillable/saveable versions of the t2057 form are available on the Canada Revenue Agency website @ <https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/t2057.html>

These instructions should not be considered tax advice and former Crestwynd shareholders should consult their own tax advisor if they have any questions concerning any aspect of the joint tax election. TVE Management is providing these instructions and the t2057 form with partial information to assist Crestwynd shareholders in completing the form, however TVE Management notes that it is the responsibility of the taxpayer to ensure the election as filed by the taxpayer is correct and complete.

Step #1

Insert your name, address, postal code, social insurance number or business number and taxation year (for most individuals the taxation year will be January 1, 2022 – December 31, 2022) in the relevant boxes on Page 1 of Form t2057. Also indicate the Tax Services Office that normally services you.

- **Step #1a**

If your Crestwynd common shares were held in joint ownership with another person or other persons, insert the name, address, postal code, social insurance number, and tax services office of that person or those persons (attach a separate schedule if required). Leave these fields blank if they are not applicable.

Step #2

As long as the former Crestwynd shareholder files the Form t2057 by **its filing due date of August 15, 2022**, the area titled “Penalty for late-filed and amended elections” on page 1 can be left blank. Should any shareholder wish to late file this election, completion of the penalty calculation and payment will be required with the late filed form for it to be a valid election. Please consult your own tax advisor for any questions on the penalty calculation. **TVE will not be responsible for any penalties incurred.**

Step #3

The section labeled ‘Information required’ on page 2 of Form t2057 has been partially filled out for each taxpayer. However, several of the questions need to be personally addressed by each taxpayer due to differing circumstances:

- **Step #3a**

If you are a non-resident of Canada for purposes of the ITA, mark an “x” in the box labeled “Yes” for “Question #5” on page 2 of the Form t2057. If you are a resident of Canada mark an “x” in the box labeled “No”. Whether a former Crestwynd shareholder is a resident or a non-resident of Canada is a question of fact, which must be determined by each former Crestwynd shareholder based on the consideration of all relevant circumstances. Determining residency for income tax purposes is a complex process in certain cases. Former Crestwynd shareholders should consult their tax advisor if they have any questions concerning this aspect of the joint tax election.

- **Step #3b**
If you held your Crestwynd common shares as capital property, insert an “x” in the “Yes” box on page 2 of the Form t2057 for “Question #6”. If you did not hold your Crestwynd common shares as capital property, insert an “x” in the “No” box on page 2 of the Form t2057. Whether such common shares are capital property to a particular holder is a question of fact, which must be determined by each former Crestwynd shareholder based on the consideration of all relevant circumstances. Whether shares are “capital property” for income tax purposes may be difficult to determine in certain circumstances. **The instructions below assume that you held the common shares as capital property (this affects Step #3c to #3d).** Former Crestwynd shareholders should consult their tax advisors if they have any questions concerning this aspect of the joint tax election.
- **Step #3c**
Assuming you answered “Yes” at Step #3b; insert an “x” in the “No” box on page 2 of the Form t2057 for “Question #6(a), #6(b), and #6(c).
- **Step #3d**
The additional boxes for “Question #7” on page 2 of the Form t2057 should be left blank.

Step #4

On page 2 of Form t2057, there is a section that asks for Crestwynd's ‘Paid-up capital of shares transferred’ – complete this section by multiplying the number of Crestwynd common shares you are transferring by the Paid-up Capital per common share value of \$0.36 (based on Crestwynd’s share capital/common shares outstanding as at February 14, 2022, as provided by Crestwynd Management).

Step #5

Insert the following information in the boxes in the “Description of Shares Received” section on page 2 of the Form t2057:

- ‘Number of shares transferor received’ – this is the number of common shares of TVE you received;
- ‘Redemption value per share’ – Leave this cell blank;
- ‘Paid-up Capital’ – complete this section by multiplying the number of TVE common shares you received by the Paid-up Capital per common share value of \$2.91.

Step #6

On page 3 of Form t2057, the ‘Capital Property Excluding Depreciable Property’ subsection of the ‘Particulars of Eligible Property Disposed of and Consideration Received’ main section of the form has been partially filled out for each taxpayer. The following fields need to be tailored to each individual taxpayer’s particular circumstances:

- **Step #6a**
To determine the amount to be entered under “Elected Amount Limits – Fair Market Value” and under “Consideration Received – Fair Market Value of Total Consideration”, enter the Fair Market Value (“FMV”) of common shares of Crestwynd that are being disposed and consideration you received as a result of disposing the Crestwynd shares (i.e. non-share consideration is the cash portion, if any, received; plus the share consideration of the common shares of TVE received by multiplying the number of TVE common shares you received by the TVE acquisition closing share price per common share of \$4.92, which is the closing common share price of TVE on February 14, 2022). Former Crestwynd shareholders should consult their tax advisor if uncertain as to the FMV of the shares disposed of.
- **Step #6b**
Under “Elected Amount Limits – A”, enter the ACB of the common shares being disposed of. This generally equals the original amount paid for the common shares plus any commission or broker fees paid. Former Crestwynd shareholders should consult their tax advisor if uncertain as to the ACB of the common shares disposed of.

- **Step #6c**

Under “Agreed Amount - B”, enter the amount in which you would like to elect your proceeds to be for the common share disposition. This amount must be an amount that cannot be less than the amount from Step #6b or greater than the amount from Step #6a. This amount also cannot be less than any cash received on the exchange.

Usually, the ACB is the lower number (the amount in “Elected Amount Limits – A”) and, if selected as the agreed amount, defers any capital gain realized. You are advised to consult your tax advisor to recalculate the "agreed amount" above to ensure the correct amount is recorded in this section.

- **Step #6d**

Under “Amount to be reported B-A”, calculate the value and place into this cell. The amount is calculated as the amount in Step #6c less the result in Step #6b.

Step #7

You (or the authorized representative of the former Crestwynd shareholder if a corporation or other entity) should **sign on the line for the Transferor** located on page 2 of the t2057 election form. The signature line is located on the left side of the page. **Do not sign on the second signature line on the right side of this page. This is where an authorized officer of TVE will sign the form.**

Step#8

Please return the completed t2057 election form to TVE via mail no later than July 8, 2022 to the address below or a copy via e-mail to dean.custance@tamarackvalley.ca.

Tamarack Valley Energy Ltd.
Attention: Mr. Dean Custance
3300, 308 – 4th Avenue S.W.
T2P 0H7

Many of the calculations and determinations required to properly complete the joint tax election are complex. TVE strongly advises all former Crestwynd shareholders to seek professional assistance with respect to the preparation of the joint tax election and the preparation of the former Crestwynd shareholders’ related income tax returns.



Election on Disposition of Property by a Taxpayer to a Taxable Canadian Corporation

- This form is used by a taxpayer and a taxable Canadian corporation to jointly elect under subsection 85(1) where the taxpayer has disposed of **eligible property** under subsection 85(1.1) to the corporation and the taxpayer receives as consideration shares of capital stock of the corporation.
- Unless otherwise indicated, all legislative references are to the *Income Tax Act*.
- Mail one copy of this election and related schedules (as specified), completed by the transferor, as follows:
 - to the tax centre of the transferor;
 - on or before the earliest date on which any party to the election has to file an income tax return for the tax year in which the transaction occurred (due date). This due date must consider any election under subsection 25(1) or 99(2); and
 - separately from any other return.

Do not use this area

When many transferors elect to transfer the same property (co-ownership) or many members of the same partnership elect to transfer their partnership interests, the elections will be processed together and should be filed:

- at the tax centre of the transferee;
- on or before the due date; and
- by a designated transferor to file all of the completed forms for each transferor, together with a list of all of the electing transferors. This list should contain the name, address and social insurance number, trust account number or business number of each transferor.

Find the address of the transferor's and transferee's tax centre at canada.ca/tax-centres.

Taxpayer's name (transferor)	Social insurance, trust account or business number
Address	Postal code
Tax year of the taxpayer	Tax services office
Year Month Day Start 2 0 2 2 0 1 0 1 End 2 0 2 2 1 2 3 1	

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

Corporation's name (transferee) Tamarack Valley Energy Ltd.	Business number 859645319 RC 0003
Address 3300, 308 - 4th Avenue S.W., Calgary, Alberta	Postal code T2P 0H7
Tax year of the corporation	Tax services office
Year Month Day Start 2 0 2 2 0 1 0 1 End 2 0 2 2 0 2 1 4	
Name of the contact person Dean Custance	Telephone number 403-410-3135

Penalty for late-filed and amended elections

An election that is filed after its due date is subject to a late-filing penalty. You can file Form T2057 within three years after its due date if you pay an estimate of the penalty at the time of filing. You can also amend or file Form T2057 after the three-year period, but, in addition to the payment of an estimated penalty amount, you must attach a written explanation justifying the changes or reasons for the delay for consideration by the minister.

Calculation of late-filing penalty:

Fair market value (FMV) of property transferred	_____
Agreed amount	_____
Subtotal (FMV minus agreed amount)	_____ A
Amount A _____ × ¼ × 1% × N* _____ =	_____ B
\$100 × N* _____ =	_____ C
Amount C cannot exceed \$8,000.	
Late-filing penalty (amount B or amount C, whichever is less)	_____
Amount enclosed	_____

Do not use this area

Make your cheque or money order payable to the Receiver General. On the back, write T2057, the transferor's name, and their social insurance, trust account or business number.

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

* N is the sum of each month or each part of a month in the period from the filing due date to the actual date filed.

Information required

On the following page, list, describe, and state the fair market value (FMV) of transferred properties. The description and FMV of the consideration received has to be shown opposite of the related property transferred. Where the transferred property is a partnership interest, attach a schedule of the calculation of the adjusted cost base. If there is not enough space on the form, attach schedules giving similar details. You have to designate the order of disposition of each depreciable property. The following material may be prepared in order to complete the form: a summary of the method of evaluating the FMV of each property transferred; schedules supporting this election; and documentation relating to the responses to the questions below. This material does not need to be filed with the election but must be kept in case we 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 Income Tax Folio S4-F3-C1 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
 If **yes** to question 4, 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 is defined in section 24 of the *Income Tax Applications Rules*)? 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**, attach a schedule, provide details of amounts and dates received.) Yes No
7. Is the agreed amount of any of the transferred properties based on an estimate of FMV on V-Day? Yes No
 If **yes** to question 7, does a formal documented V-Day value report exist? Yes No
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:

Corporation's name Crestwynd Exploration Ltd.	
Business number 7 0 8 7 1 8 5 2 3 R C 0 0 0 1	Paid-up capital of shares transferred

Description of shares received

Number of shares transferor received	Class of shares	Redemption value per share	Paid-up capital	Voting or non-voting	Are shares redeemable at the holder's option?
	common shares			Voting	Yes <input type="checkbox"/> No <input checked="" 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 <input type="checkbox"/>

Informative notes

- The rules for section 85 elections are complex. Essential information is contained in Information Circular IC76-19, Interpretation Bulletins IT-291 and IT-378 and Income Tax Folio S4-F3-C1.
- Complete all the information areas and answer all questions. If this form is incomplete, we may consider the election invalid and a late-filing penalty may apply to future submissions.
- If the agreed amount is more than 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.

Election and certification

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

Signature of Transferor, Authorized Officer or Authorized Person*

and

Signature of Authorized Officer of Transferee

* Attach a copy of the authorizing agreement.

Date (yyyy-mm-dd)

Information on the 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 a separate Form T2057.					
	2 0 2 2 0 2 1 5					B Agreed amount (cannot be zero)	Amount to be reported B - A (if greater than 0, see note 5)	Consideration received			Fair market value of total consideration
	Property disposed of							Non-share Description	Share Number and class	Description	
Description	Elected amount limits (see note 1)			A	Fair market value	Description	Number and class				Fair market value of total consideration
Capital property excluding depreciable property	(brief legal) # Crestwynd common shares	(see note 2)								\$ cash	
Depreciable property	(description and prescribed class)	(see note 3)									
Eligible capital property	(kind)	(see note 4)									
Inventory excluding real property	(kind)	(cost amount)									
Resource property	(brief legal)	nil									
Security or debt obligation property	(description)	(cost amount)									
Specified Debt Obligation (for financial institutions only)		(cost amount)									
Capital property that is real property owned by a non-resident person	(description)										
AgriInvest fund no. 2 (see note 6)		(cost amount)									

Note 1: Read Interpretation Bulletin IT-291 for more information on eligible property and an explanation of the limits.

Note 2: Adjusted cost base (subject to adjustment under section 53).

Note 3: The lesser of undepreciated capital cost of all property of the class and the cost of the property.

Note 4: The lesser of 4/3 of the cumulative eligible capital and the cost of the property.

Note 5: 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 6: 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.

Privacy statement

Personal information is collected under the *Income Tax Act* to administer tax, benefits, and related programs. It may also be used for any purpose related to the administration or enforcement of the Act such as audit, compliance and the payment of debts owed to the Crown. It may be shared or verified with other federal, provincial/territorial government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties or other actions. Under the *Privacy Act*, individuals have the right to access their personal information and request correction if there are errors or omissions. Refer to Info Source at canada.ca/cra-info-source. Personal Information Bank CRA PPU 047.