Canadian Federal Income Tax Considerations

In the opinion of Gowling Lafleur Henderson LLP, counsel to TUSK, AcquisitionCo, TKE Energy Trust ("**TKE Trust**") and TUSK Energy Corporation ("**TUSKEx**") ("**Counsel**"), the following is a fair and accurate summary of the principal Canadian federal income tax considerations under the Tax Act and the regulations thereunder (the "**Regulations**") generally applicable to Shareholders who dispose of their Shares pursuant to the Arrangement, and who, for the purposes of the Tax Act (i) at all relevant times are resident in Canada (or to the extent expressly provided for herein, in the United States), (ii) hold their Shares and will hold their Class A Common Shares, Class B Redeemable Shares, Trust Notes, Trust Units, Exchangeable Shares and TUSKEx Shares (collectively, "**Arrangement Securities**"), as the case may be, as capital property, (iii) for purposes of the Tax Act deal at arm's length with, and are not affiliated with, TUSK, TKE Trust, AcquisitionCo and TUSKEx at all relevant times and (iv) following the Arrangement, will not, either alone or together with any non-arm's length person or persons, control TUSKEx or beneficially own TUSKEx Shares having a fair market value in excess of 50% of the fair market value of all outstanding TUSKEx Shares. Generally, the Arrangement Securities will be considered to be capital property to a Shareholder provided such Shareholder does not hold such securities in the course of carrying on a business of trading or dealing in securities and did not acquire such securities in one or more transactions considered to be an adventure in the nature of trade. Certain Shareholders whose Arrangement Securities might not otherwise qualify as capital property may be able to obtain such qualification by making an irrevocable election in accordance with subsection 39(4) of the Tax Act. This summary is not applicable to a Shareholder that is a "financial institution" for the purposes of the mark-to-market rules, a Shareholder any interest in which is a "tax shelter investment" or a Shareholder that is a "specified financial institution", all as defined in the Tax Act.

This summary is based upon the provisions of the Tax Act and the Regulations in force as of the date hereof, all specific proposals to amend the Tax Act and the Regulations publicly announced by the Minister of Finance prior to the date hereof (the "**Proposed Amendments**"), Counsel's understanding of the current administrative practices of the Canada Revenue Agency (the "**CRA**") and representations as to certain factual matters provided to Counsel by TUSK and TKE Trust. Other than the Proposed Amendments, the summary does not take into account or anticipate changes in the law, whether by way of judicial decision or legislative action, nor does it take into account tax legislation of any country other than Canada or of any province or territory of Canada.

This summary is of a general nature only, is not exhaustive of all possible tax considerations applicable to the Arrangement, and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Shareholder, and no representations with respect to the income tax consequences to any Shareholder are made. Shareholders should consult their own tax advisors for advice with respect to the tax consequences to them of disposing of their Shares and holding or disposing of Arrangement Securities and Ancillary Rights pursuant to the Arrangement, having regard to their particular circumstances.

Residents of Canada

Allocation of Adjusted Cost Base of Shares

The adjusted cost base of each Shareholder in their Shares must be allocated among the Class A Common Shares and Class B Redeemable Shares received as an intervening step under the Arrangement on a pro rata basis in accordance with the relative fair market values of the Class A Common Shares and the Class B Redeemable Shares.

AcquisitionCo has indicated to Counsel that it intends, in due course, to post on TKE Trust's website AcquisitionCo's reasonable determination of the fair market value of the Class A Common Shares and Class B Redeemable Shares. Such determination will not be binding on the CRA and Counsel cannot assure Shareholders that the CRA will accept any such determination, and accepts no responsibility for the consequences of the use by Shareholders of such determination for tax purposes.

Receipt of Trust Units

Shareholders who receive Trust Units pursuant to the Arrangement in return for Trust Notes will generally realize an aggregate capital gain (or capital loss) to the extent that the fair market value of the Trust Units exceeds (or is less than) the aggregate of the adjusted cost base allocated to the Class A Common Shares and any reasonable costs of disposition. Such capital gain or capital loss will generally be realized upon a disposition of the Class A Common Shares for Trust Notes. To the extent the fair market value of the Trust Units exceeds the fair market value of the Trust Notes, a portion of the aggregate capital gain (equal to the amount of such excess) will be realized on the disposition of Trust Notes.

Receipt of TUSKEx Shares

To the extent that the adjusted cost base of a Shareholder's Shares is allocated to the Class B Redeemable Shares in the manner described above such amount will constitute the adjusted cost base of the Shareholder's Class B Redeemable Shares.

The exchange of Class B Redeemable Shares (received on the conversion of the Shares) for TUSKEx Shares has been structured so that it may qualify for the tax deferred rollover provisions of section 85.1 of the Tax Act. Shareholders will be deemed to have disposed of their Class B Redeemable Shares for an amount equal to the adjusted cost base thereof and to have acquired their TUSKEx Shares at the same adjusted cost base and no capital gain or capital loss will be realized.

Section 85.1 does not require the filing of a tax election form. Shareholders who prefer to realize a capital gain or capital loss in respect of the disposition of their Class B Redeemable Shares under the Arrangement may do so by reporting the resulting capital gain or capital loss in their tax return for the year in which the Arrangement occurs.

Receipt of Exchangeable Shares with Section 85 Election

Exchangeable Shares are offered to Shareholders who wish to defer a capital gain that would otherwise arise on the exchange of their Class A Common Shares for Trust Units. To defer such capital gain, Shareholders receiving Exchangeable Shares must file an election under section 85 of the Tax Act.

AcquisitionCo has agreed to jointly elect under section 85 of the Tax Act with Shareholders who are resident in Canada and who are not Tax Exempt (such as RRSP's) in respect of the acquisition of Class A Common Shares by AcquisitionCo in exchange for Exchangeable Shares. A Shareholder who elects under section 85 will generally realize a capital gain only if the elected amount is greater than the adjusted cost base allocated to the Class A Common Shares which are disposed of for Exchangeable Shares. The cost base of such Exchangeable Shares will generally be equal to the elected amount, as described in detail below.

How to Elect Under Section 85

To receive Exchangeable Shares, a Shareholder must provide to the Depositary on behalf of AcquisitionCo, a signed and duly completed copy of the necessary documentation at or before the time and date specified in the Letter of Transmittal and Election Form. In addition, each Shareholder who wishes to take advantage of the tax deferral provided for by section 85 of the Tax Act must complete, obtain the signature of AcquisitionCo on and file with the CRA (and any relevant provincial tax authority) the forms required by the Tax Act. If the section 85 election form appears on its face to comply with the Tax Act (and any applicable provincial tax legislation) and is delivered to AcquisitionCo in the manner specified in the Letter of Transmittal and Election Form, such form will be returned to the Shareholder, signed by AcquisitionCo, for filing by the Shareholder with the CRA (and, if applicable, relevant provincial tax authorities).

For federal tax purposes, a section 85 election is made on form T2057 (or, if the Shareholder is a partnership, form T2058). A Shareholder who indicates its intention to make a section 85 election on the Letter of Transmittal and Election From accompanying this Circular in the space provided therein will be provided a tax election package consisting of the relevant tax election forms and a letter of instructions.

Where Shares are held in joint ownership and two or more of the co-owners wish to elect, one of the co-owners designated for such purpose must file the designation and a copy of form T2057 (and, where applicable, the corresponding provincial tax forms) for each co-owner with a list of all co-owners electing which contains the address and social insurance number or tax account number of each co-owner. Where the Shares are held as partnership property, a partner designated by the partnership must file form T2058 on behalf of all members of the partnership (and, where applicable, the corresponding provincial tax forms with the appropriate provincial taxation authorities). Form T2058 (and provincial taxation forms, if applicable) must be accompanied by a list containing the name, address, social insurance number or tax account number of each partner and written authorization signed by each partner authorizing the designated partner to complete and file the form.

Shareholders should refer to the instructions for requesting a tax election package set out in the Letter of Transmittal and Election Form and are referred to Information Circular 76-19R3 and Interpretation Bulletin IT-291R3 issued by the CRA for further information respecting the election (available on the CRA's website at www.cra-arc.gc.ca or from any CRA office). Shareholders wishing to make the election should consult their own tax advisors. The comments herein with respect to such elections are provided for general assistance only. Shareholders are advised that the law in this area is complex and contains numerous technical requirements which must be complied with in order to make a valid election.

Determining the Elected Amount

In general, the elected amount in a section 85 election:

- may not be less than the fair market value of any non-share consideration received by the Shareholder upon the exchange of Class A Common Shares for Exchangeable Shares (which will include the value of Ancillary Rights, if any, and the value of any Trust Units received);

- may not be less than the lesser of the adjusted cost base to the Shareholder of the Class A Common Shares exchanged for Exchangeable Shares, determined immediately before the time of the exchange, and the fair market value of such Class A Common Shares at that time; and

- may not exceed the fair market value of the Class A Common Shares at the time of the exchange.

Where a Shareholder and AcquisitionCo make a valid section 85 election, the tax treatment to the Shareholder generally will be as follows:

- the Shareholder will be deemed to dispose of the Class A Common Shares that are subject to the election for proceeds of disposition equal to the elected amount;

- if such deemed proceeds of disposition are equal to the adjusted cost base to the Shareholder of such Class A Common Shares immediately before the exchange, net of any reasonable costs incurred by the Shareholder in connection with the exchange, the Shareholder will not realize any capital gain or capital loss on the exchange;

- if such deemed proceeds of disposition exceed the adjusted cost base to the Shareholder of such Class A Common Shares immediately before the exchange, net of any reasonable costs incurred by the Shareholder in connection with the exchange, the Shareholder generally will realize a capital gain equal to the amount of such excess; and

- the cost to the Shareholder of any non-share consideration received on the exchange will be equal to the fair market value thereof at that time, and the cost to the Shareholder of the Exchangeable Shares received on the exchange will be equal to the amount by which the elected amount exceeds the fair market value of such non-share consideration, if any, received by the Shareholder on the exchange.

Shareholder's Responsibility to Make a Timely and Valid Election

Shareholders who wish to elect under section 85 are solely responsible for the proper completion and filing of the election and, if applicable, the payment of any late filing penalty.

AcquisitionCo will make an election under section 85 of the Tax Act (and the corresponding provisions of applicable provincial tax legislation) at the elected amount selected by the Shareholder. Neither AcquisitionCo nor the Depositary will be responsible for the proper completion or filing of any election, and AcquisitionCo agrees only to execute a properly completed election and to forward such election by mail to the Shareholder. Compliance with the requirements for a valid election, including selection of the appropriate elected amount, is the sole responsibility of the Shareholder making the election and neither AcquisitionCo nor the Depositary will be responsible or liable for taxes, interest, penalties, damages or expenses resulting from the failure by anyone to properly complete an election or to properly file it within the time, and in the form, prescribed under the Tax Act (or the corresponding provisions of provincial legislation).

Shareholders must provide duly completed election forms to AcquisitionCo on a timely basis.

The election must be received by the applicable revenue authority on or before the earliest of the days on or before which either AcquisitionCo or the Shareholder is required to file an income tax return for the taxation year in which the exchange occurs. AcquisitionCo's taxation year will end on the Effective Date and the tax election must, in the case of an individual Shareholder, generally be received by the CRA (and, if applicable, any provincial taxation authority) no later than six months after the Effective Date. Shareholders other than individuals should consult their own advisors as soon as possible to determine the filing deadline applicable in their circumstances.

Regardless of such deadline, AcquisitionCo must receive a Shareholder's tax election forms no later than the 60th day after the Effective Date. As AcquisitionCo has agreed to execute and return the election to the Shareholder within 60 days of its receipt by AcquisitionCo, some Shareholders may have to forward their tax election forms to AcquisitionCo earlier than the 60th day after the Effective Date to avoid late filing penalties.

A Shareholder who does not ensure that AcquisitionCo has received a duly completed election on or before the 60th day after the Effective Date will not be entitled to benefit from the provisions of section 85 of the Tax Act. Accordingly, Shareholders who wish to enter into an election with AcquisitionCo should give their immediate attention to this matter. At its sole discretion, AcquisitionCo may decide to accept and execute a section 85 election that is not received within the 60 day period, however, no assurance can be given that AcquisitionCo will do so.

Receipt of Exchangeable Shares Without Valid Section 85 Election

Where no valid section 85 election is made, Shareholders will realize a capital gain (or capital loss) to the extent that the fair market value of the Exchangeable Shares received is greater than (or less than) the portion of the aggregate of the adjusted cost base of the Shares allocated to the TUSK Class A Common Shares which are exchanged for Exchangeable Shares and any reasonable costs of disposition. Exchangeable Shares will be deemed to have been acquired at a cost equal to such fair market value.

Ancillary Rights

The Arrangement provides for the entering into of certain agreements collateral to the Exchangeable Shares, pursuant to which Shareholders who exchange some or all of their Class A Common Shares for Exchangeable Shares will receive the benefit of the Ancillary Rights. AcquisitionCo is of the view, and has advised Counsel, that it is reasonable to assume that the Ancillary Rights have nominal value. If this assumption is correct, a Shareholder's receipt or grant of such rights should not result in any material Canadian federal income tax consequences to the Shareholder.

If the CRA were to successfully assert that the Ancillary Rights have more than nominal value, such greater value would need to be taken into account in determining the proceeds of disposition of a Shareholder's Shares, the elected amount in any section 85 election made by the Shareholder and AcquisitionCo and the adjusted cost base to the Shareholder of the Exchangeable Shares.

AcquisitionCo is of the view, and has advised Counsel, that it would be reasonable to prepare section 85 election forms on the basis that the fair market value of the Ancillary Rights is a nominal amount. Such determination is not binding on the CRA and AcquisitionCo cannot assure Shareholders that the CRA will accept any such determination, and accepts no responsibility for the consequences of the use by Shareholders of such determination for tax purposes. Counsel expresses no opinion respecting same.

Taxation of Capital Gains and Capital Losses

One half of any capital gain (a "**taxable capital gain**") realized by a Shareholder in a taxation year must be included in income for that year. One half of any capital loss (an "**allowable capital loss**") realized in a taxation year may be deducted from taxable capital gains realized in that year, in any of the three preceding taxation years or any subsequent taxation year. Allowable capital losses may not generally be deducted against other types of income such as employment or business income. Canadian-controlled private corporations, as defined in the Tax Act, may be liable to an additional refundable tax of $6^{2}/_{3}$% on certain investment income, including taxable capital gains. Individuals may be liable for alternative minimum tax on capital gains.

Tax Consequences of the Amalgamation of TUSK, TUSK AB and TUSK SK and the Amalgamation of TUSK and AcquisitionCo

The amalgamations of TUSK, TUSK AB and TUSK SK and TUSK and AcquisitionCo will occur on a tax deferred basis, with the result that the adjusted cost base of Shares after the amalgamation of TUSK, TUSK AB and TUSK SK will be the same as the adjusted cost base of those shares prior to such amalgamation. Similarly, the adjusted cost base of Exchangeable Shares after the amalgamation of TUSK and AcquisitionCo will remain the same as the adjusted cost base of those shares prior to such amalgamation.

Tax Consequences of Holding and Disposing of Exchangeable Shares

As distributions are made on Trust Units, the exchange ratio of the Exchangeable Shares increases such that the number of Trust Units into which the Exchangeable Shares are exchangeable increases. Although such distributions would generally be taxable as ordinary income (not capital gains) in the year received in the hands of Unitholders (except to the extent they represented a return of capital), the increase in the exchange ratio of the Exchangeable Shares is not taxable to the holder thereof until the Exchangeable Shares are disposed of. Accordingly, there may be a potential tax deferral of tax while Exchangeable Shares are held, in contrast to holding Trust Units.

It is not expected that the Exchangeable Shares will be redeemed by AcquisitionCo, in view of the associated call rights and exchange rights under the Voting and Exchange Trust Agreement and the terms of the Exchangeable Shares. If the Exchangeable Shares were redeemed, the tax consequences would generally include a deemed dividend and/or a capital gain. Such tax consequences will generally be unfavourable to most holders of Exchangeable Shares.

It is not anticipated that dividends will be paid on the Exchangeable Shares. The tax consequences of a payment of dividends on such shares would generally be unfavourable for AcquisitionCo and the recipient of such dividends.

Upon a disposition of Exchangeable Shares to TKE Trust (or a subsidiary thereof other than AcquisitionCo) for Trust Units, a holder of Exchangeable Shares will realize a capital gain (or capital loss) to the extent that the fair market value of the Trust Units received is greater than (or less than) the total of the adjusted cost base of the Exchangeable Shares and any reasonable costs of disposition.

Tax Consequences of Holding and Disposing of Trust Units

Status of TKE Trust

This summary assumes that TKE Trust will qualify at the Effective Date and thereafter will continuously qualify at all relevant times as a mutual fund trust within the meaning of the Tax Act and that TKE Trust will elect to be deemed a mutual fund trust from its date of establishment. Management of TKE Trust has represented to Counsel that provided that certain prescribed conditions are met by TKE Trust, TKE Trust will make the requisite election under the Tax Act to so qualify TKE Trust from its inception.

The qualification of TKE Trust as a mutual fund trust requires that certain factual conditions continuously be met, relating principally to the nature, number and residence of Unitholders, the ability of TKE Trust to distribute Trust Units to the public, the fair market value of the Trust Units from time to time and the nature of TKE Trust's property and activities.

The Tax Act provides that a trust that is maintained primarily for the benefit of non-residents of Canada will cease to qualify as a mutual fund trust. However, such a trust may continue to qualify as a mutual fund trust if at all times thereafter substantially all of its property is not "taxable Canadian property," as defined in the Tax Act.

Under Proposed Amendments, a trust will be considered to be maintained primarily for the benefit of non-residents and will cease to qualify as a mutual fund trust at the time trust units having more than 50% of the fair market value of all issued trust units are held by non-residents of Canada or partnerships in which all of the partners are not residents of Canada (a "**Non-Canadian Partnership**"). Management of TKE Trust has advised Counsel that, based upon the share ownership in TUSK as of September 27, 2004, it is anticipated that less than 10% of the Trust Units will be held by non-residents upon completion of the Arrangement. The Trust Indenture contains provisions that are intended to permit TKE Trust to take measures to reduce the number of Trust Units held by non-residents if TKE Trust becomes aware that a 40% of the Trust Units are held by non-residents of Canada or Non-Canadian Partnerships. If non-residents of Canada and Non-Canadian Partnerships acquire a substantial number of Trust Units, TKE Trust's ability to maintain its status as a mutual fund trust may be dependent on its ability to determine the proportion of the Trust Units held by non-residents and Non-Canadian Partnerships on an accurate and timely basis and to take effective steps to prevent a majority of Trust Units from being held by non-residents and Non-Canadian Partnerships.

TKE Trust would not lose its status as a mutual fund trust, even if a majority of the Trust Units were held by non-residents and Non-Canadian Partnerships, so long as substantially all the assets of TKE Trust are not "taxable Canadian property" at that time and thereafter. Under the Proposed Amendments, the definition of "taxable Canadian property" will be extended so that it will include resource royalties, such as the NPI. Management of TKE Trust has indicated to Counsel that it is anticipated that upon completion of the Arrangement substantially all of the fair market value of the assets of TKE Trust will be comprised of Trust Notes and accordingly, TKE Trust will qualify for the "taxable Canadian property" exception. However, if the fair market value of the NPI or shares in AcquisitionCo increases or other assets are acquired which qualify as taxable Canadian property causing a change in the fair market value of these assets relative to the fair market value of assets of TKE Trust that do not qualify as taxable Canadian property there is potential that TKE Trust will no longer be able to rely upon the "taxable Canadian property" exception.

Should TKE Trust cease to qualify as a mutual fund trust the income tax considerations respecting TKE Trust and Shareholders may be materially different from those described in this summary, and in particular the following adverse income tax consequences may result:

- the Trust Units may cease to be qualified investments for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans (an "**RESP**") (collectively "**Exempt Plans**") with the result that an Exempt Plan may become subject to a penalty tax, the beneficiary of such Exempt Plan may be deemed to have received income therefrom or, in the case of an RESP, the RESP may have its tax exempt status revoked. Because TKE Trust intends to register as a "registered investment" under the Tax Act, Trust Units should continue to be a qualified investment for Exempt Plans (other than RESP's) until the end of the calendar year following the calendar year in which it ceased to be a mutual fund trust.

- Trust Units will become foreign property if, as a consequence of failing to maintain its status as a mutual fund trust, TKE Trust also ceases to be a registered investment and Exempt Plans other than RESP's may be subject to a penalty tax to the extent they have holdings of foreign property in excess of limits prescribed by the Tax Act.

- TKE Trust will be required to pay a tax under Part XII.2 of the Tax Act in respect of amounts distributed to non-residents, which may result in adverse income tax consequence for certain Unitholders, including non-resident persons and Tax Exempt persons.

- TKE Trust will cease to be eligible for the capital gains refund mechanism available to mutual fund trusts.

- upon the loss of mutual fund trust status, the Trust Units held by non-residents of Canada would become taxable Canadian property and subject to Canadian income tax on their disposition.

Taxation of TKE Trust

TKE Trust is subject to tax in each taxation year on its income for the year, less the portion of its income that is paid or becomes payable in the year to Unitholders and deducted by TKE Trust in computing its income. An amount will be considered to be payable to a Unitholder in a taxation year only if it is paid in the year by TKE Trust or the Unitholder is entitled in that year to enforce payment of the amount.

TKE Trust's income for each taxation year will include interest, dividends and amounts in respect of the NPI. Any Alberta Royalty Tax Credit received by TKE Trust will be included in its income, in accordance with a 10 year phase-in period commencing in 2003.

TKE Trust may deduct reasonable expenses incurred in earning income, subject to specific rules in the Tax Act which may limit or defer deduction of particular expenses. An amount not exceeding 10%, on a declining balance basis, of its cumulative Canadian oil and gas property expense ("**COGPE**") account at the end of each taxation year may be deducted in computing its income. If the balance of TKE Trust's COGPE account at the end of a taxation year, after all additions and deductions for the year have been made, would otherwise be negative, the negative amount will be included in TKE Trust's income for that year. TKE Trust may also deduct reasonable expenses of issuing Trust Units over a 5 year straight-line basis, subject to pro-rationing for taxation years of less than 365 days.

TKE Trust may deduct in computing its income for a year resource allowance generally calculated by reference to its "adjusted resource profits" as defined for purposes of the Tax Act. Commencing in 2003 on a phased-in basis over a five year period, Crown royalties will become deductible and the deduction for resource allowance will be eliminated. The excess, if any, of reimbursed non-deductible Crown charges over the resource allowance deductible by TKE Trust in the year is deemed to be an amount that has become payable to the Unitholders, to the extent designated by TKE Trust. Counsel understands that TKE Trust will designate the full amount of any such excess annually in respect of the Unitholders. The amount which qualifies as reimbursed non-deductible Crown charges may be limited in some circumstances.

Counsel is advised that TKE Trust intends to make payable to the Unitholders with respect to each taxation year an amount equal to all of the income of TKE Trust for such year, together with the taxable and non-taxable portion of any capital gains realized by TKE Trust in such year (excluding capital gains which may be realized by TKE Trust upon a distribution in specie of the property of TKE Trust in connection with a redemption of Trust Units) less TKE Trust's expenses and the amount, if any, required to be retained to pay TKE Trust's tax liability.

Counsel is advised that for purposes of the Tax Act, TKE Trust intends to deduct, in computing its income, the full amount available for deduction in each year to the extent of its income for the year, otherwise determined and TKE Trust does not expect to be liable for a material amount of tax under the Tax Act. However, Counsel can provide no assurance in this regard.

The Tax Act provides that TKE Trust may, at its discretion, claim a deduction in computing income for a taxation year in an amount less than its income for such year that is paid or becomes payable to Unitholders in such year if it designates such amount not to have been paid or become payable to the Unitholders. The Trust may wish to do so in order to utilize losses from prior taxation years.

If TKE Trust does not have sufficient cash to distribute all of its net income by way of cash distributions the Trust Indenture contemplates the payment of such income to Unitholders in the form of additional Trust Units ("**Reinvested Trust Units**"). The Trust Indenture provides for the redemption of Trust Units at the request of Unitholders. Trust income utilized to redeem Trust Units will not be available for payment to Unitholders as cash distributions. Such income will be payable to Unitholders in the form of the issuance by TKE Trust of Reinvested Trust Units. The Trust Indenture further provides that TKE Trust may, in certain circumstances, issue its own notes or distribute property of TKE Trust to finance the redemption of Trust Units.

Where TKE Trust distributes property to a Unitholder on a redemption of Trust Units, TKE Trust will be deemed to have received proceeds of disposition equal to the fair market value of such property at that time (the "**Deemed Proceeds**"), and such Deemed Proceeds may give rise to a capital gain or income to TKE Trust, depending upon the nature of the property. TKE Trust will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net taxable capital gains by an amount determined under the Tax Act based on the redemption or retraction of Trust Units during the year (the "**Capital Gains Refund**"). The Capital Gains Refund in a particular taxation year may not completely offset TKE Trust's tax liability on net realized capital gains for such taxation year that may arise upon distributions of property in connection with the redemption of Trust Units. The Trust Indenture accordingly provides that income of TKE Trust that is required to satisfy any tax liability on the part of TKE Trust shall not be payable to Unitholders.

Taxation of Unitholders

A Unitholder will generally be required to include in computing income for a particular taxation year of the Unitholder the portion of the net income of TKE Trust for a taxation year, including taxable dividends and net taxable capital gains, that is paid or becomes payable to the Unitholder in that particular taxation year, together with all amounts designated to the Unitholder as reimbursed non-deductible Crown charges in excess of the resource allowance deducted in computing TKE Trust's income, whether such amounts are payable in cash, in Reinvested Trust Units or otherwise. The amount of income for purposes of the Tax Act allocable to a Unitholder may vary from the amount of cash payments as a result of the deduction of non-cash expenses by TKE Trust, the non-deductibility or deferred deductibility of certain trust expenditures and the distribution of income in the form of Reinvested Trust Units.

The income of a Unitholder from Trust Units will generally be considered to be income from property for the purposes of the Tax Act. Any deduction or loss of TKE Trust for the purposes of the Tax Act cannot be allocated to and treated as a deduction or loss of a Unitholder. Provided that appropriate designations are made by TKE Trust, such portion of its net taxable capital gains and taxable dividends as are paid or payable to a Unitholder will effectively retain their character as taxable capital gains and taxable dividends, respectively, in the hands of Unitholders. Such dividends will be subject, among other things, to the gross up and dividend tax credit applicable to individuals, the refundable tax under Part IV of the Tax Act applicable to "private corporations" and "subject corporations" (as defined under the Tax Act), and the deduction in computing taxable income in respect of dividends received from taxable Canadian corporations. In general, net income of TKE Trust that is designated as taxable dividends from taxable Canadian corporations or as net taxable capital gains may increase an individual Unitholder's liability for alternative minimum tax.

The non-taxable portion of net capital gains of TKE Trust that is paid or becomes payable to a Unitholder in a year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income of TKE Trust that is paid or becomes payable by TKE Trust to a Unitholder in a year will generally not be included in the Unitholder's income for the year. The effect of such payments on the adjusted cost base of Trust Units is set out under the heading "*Cost of Trust Units*" below.

A Unitholder that throughout the relevant taxation year is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of $6^{2}/_{3}\%$ on certain investment income, including income that was received or became receivable from TKE Trust in the relevant taxation year.

Cost of Trust Units

The cost to a Unitholder of a Trust Unit acquired pursuant to the Arrangement will be the fair market value thereof at the time of receipt. For the purpose of determining the adjusted cost base of each the Trust Unit, where a Trust Unit is subsequently acquired, the cost of such unit will be averaged with the adjusted cost base of all other Trust Units owned by the Unitholder as capital property at that time.

Reinvested Trust Units issued to a Unitholder as a non-cash distribution of income will have an acquisition cost equal to the amount of such income, and this acquisition cost will be averaged with the adjusted cost base of all other Trust Units held by the Unitholder as capital property at that time.

A Unitholder will be required to reduce the adjusted cost base of Trust Units held by such Unitholder by each amount payable to the Unitholder otherwise than as proceeds of disposition of Trust Units (except to the extent that the amount either was included in the income of the Unitholder or was the Unitholder's share of the non-taxable portion of the net capital gains of TKE Trust, the taxable portion of which was designated by TKE Trust in respect of the Unitholder). To the extent that the adjusted cost base to a Unitholder of a Trust Unit at the end of a taxation year would otherwise be less than zero, the negative amount will be deemed to be a capital gain from the disposition of such Trust Unit in that year.

Disposition of Trust Units

Upon the disposition or deemed disposition by a Unitholder of a Trust Unit, whether on a redemption or otherwise, the Unitholder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the Unitholder's adjusted cost base of the Trust Unit and any reasonable costs of disposition. Where a Unitholder that is a corporation or a trust (other than a mutual fund trust) disposes of a Trust Unit, the Unitholder's capital loss (if any) from the disposition will generally be reduced by the amount of dividends from taxable Canadian corporations previously designated by TKE Trust to the Unitholder except to the extent that a loss on a previous disposition of a Trust Unit has been reduced by such dividends. Similar rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Trust Units. A capital gain (or capital loss) realized by a Unitholder and the amount of any net taxable capital gains designated by TKE Trust in respect of the Unitholder will generally be treated as described above under the subheading "*Taxation of Capital Gains and Capital Losses*".

A Unitholder that throughout the relevant taxation year is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of $6^{2}/_{3}\%$ on certain investment income, including income that was received or became receivable from TKE Trust in the relevant taxation year and taxable capital gains arising from the disposition of Trust Units. Capital gains realized by a Unitholder who is an individual may give rise to a liability for alternative minimum tax.

A redemption of Trust Units in consideration for cash or promissory notes, as the case may be, will be a disposition of such Trust Units for proceeds of disposition equal to the cash or the fair market value of the promissory notes, as the case may be. Redeeming Unitholders will realize a capital gain (or capital loss), depending on whether the proceeds of disposition received exceed (or are exceeded by) the adjusted cost base of Trust Units so redeemed.

Where TKE Trust distributes property (a "**Distributed Property**") to a Unitholder on a redemption of Trust Units, the Unitholder will generally be considered to have disposed of its Trust Units for proceeds of disposition equal to the fair market value of the Distributed Property at that time (the **"Fair Market Value"**), less (a) the portion, if any, of such amount that is considered to be a payment to the Unitholder out of the income or capital gains of TKE Trust for the year, and (b) the amount, if any, by which the Fair Market Value is greater than the cost amount of the Distributed Property to TKE Trust, determined for purposes of the Tax Act. The cost to a Unitholder of the Distributed Property will be equal to its Fair Market Value. Income earned from Distributed Property may not be treated in the same manner for income tax purposes as income earned from Trust Units.

Exempt Plans

Trust Units

Trust Units will be qualified investments for Exempt Plans if TKE Trust meets the requirements to qualify as a mutual fund trust prior to the date on which TKE Trust's first income tax return must be filed and TKE Trust files an election with the CRA on or before such date.

So long as TKE Trust obtains and maintains its registration as a registered investment for Exempt Plans pursuant to the Tax Act, effective as of the Effective Date, Trust Units will not constitute foreign property for Exempt Plans.

See "Tax Consequences of Holding and Disposing of Trust Units – Status of TKE Trust."

TUSKEx Shares

Provided they are listed on a prescribed stock exchange, TUSKEx Shares will be qualified investments under the Tax Act for Exempt Plans. If such shares are listed on a prescribed stock exchange prior to the date on which TUSKEx's first income tax return must be filed and TUSKEx files an election with the CRA on or before such date, the TUSKEx Shares will be qualified investments under the Tax Act for Exempt Plans notwithstanding that such shares were not listed on a prescribed stock exchange at the time of the Arrangement. TUSKEx Shares will not be foreign property for Exempt Plans.

Exchangeable Shares and Ancillary Rights

Exempt Plans are not eligible to receive Exchangeable Shares or Ancillary Rights and TKE Trust and AcquisitionCo have advised Counsel that there is no current intention to list the Exchangeable Shares on a prescribed stock exchange in Canada. Accordingly, the Exchangeable Shares may not be qualified investments under the Tax Act for Exempt Plans. The Ancillary Rights will not be qualified investments under the Tax Act for Exempt Plans. Shareholders considering transferring Exchangeable Shares or Ancillary Rights to an Exempt Plan should consult their tax advisors prior to doing so.