



**ARRANGEMENT INVOLVING**

**SILVERBIRCH ENERGY CORPORATION**

**– and –**

**TECK RESOURCES LIMITED**

**– and –**

**8071667 CANADA INC.**

**– and –**

**SILVERWILLOW ENERGY CORPORATION**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE OF ORIGINATING APPLICATION**

**INFORMATION CIRCULAR OF SILVERBIRCH ENERGY CORPORATION**

These materials are important and require immediate attention as they require SilverBirch Shareholders to make important decisions. If as a SilverBirch Shareholder you are in doubt as to how to make such decisions, please contact your financial, legal, tax or other professional advisors. The SilverBirch Board of Directors unanimously recommends that SilverBirch Shareholders vote in favour of the Arrangement and the other matter to be considered at the Meeting.

February 28, 2012

*Neither the TSX Venture Exchange nor any securities regulatory authority has in any way passed upon the merits of the plan of arrangement described in this Information Circular.*

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February 28, 2012

Dear Shareholders:

The Board of Directors invites you to attend a special meeting of holders of common shares ("**SilverBirch Common Shares**") of SilverBirch Energy Corporation ("**SilverBirch**") to be held at 2:30 p.m. (Calgary time) on Thursday, March 29, 2012 in the McMurray Room at the Calgary Petroleum Club, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta.

At the special meeting, shareholders will be asked to consider, among other things, and, if deemed advisable, to pass a special resolution approving a statutory arrangement (the "**Arrangement**") pursuant to Section 192 of the *Canada Business Corporations Act* whereby 8071667 Canada Inc. (the "**Purchaser**"), a wholly-owned subsidiary of Teck Resources Limited ("**Teck**"), will acquire all of the outstanding SilverBirch Common Shares other than those already owned by Teck or the Purchaser. Under the Arrangement, a holder of SilverBirch Common Shares will ultimately receive, in exchange for each SilverBirch Common Share, Cdn\$8.50 in cash and one common share (each, a "**SilverWillow Share**") in the capital of SilverWillow Energy Corporation ("**SilverWillow**"), a newly formed wholly-owned subsidiary of SilverBirch.

SilverWillow will be a new exploration and development company that will provide SilverBirch shareholders with the opportunity to participate directly in a growth-oriented exploration and development company to be led by the current SilverBirch management team. SilverBirch believes the creation of SilverWillow provides a platform to unlock the intrinsic value of the assets and undeveloped lands to be transferred to SilverWillow through organic growth. SilverWillow will be able to focus its attention on its promising, existing 100 percent owned, *in situ* oil sands prospect situated on the Audet Lands while gaining 100 percent control over the Birch Mountains leases and other lands that may also have oil sands exploration potential. SilverBirch also believes that SilverWillow will begin with a number of strengths as a result of a proven management team with a demonstrated track record of making large resource discoveries, raising equity and creating shareholder value.

Following completion of the Arrangement and certain other transactions, SilverWillow will own all of the assets and properties which are currently owned by SilverBirch other than the lands and leases comprising the Frontier Project and the Equinox Project and certain assets relating thereto, including the Twin Lakes leases, plus cash in an amount equal to certain estimated tax liabilities, all of which will be retained by SilverBirch. In addition to owning 100 percent of the Audet *in situ* oil sands leases, SilverWillow will acquire from Teck the remaining 50 percent working interest not already owned by SilverBirch in the Birch Mountains leases and other exploration lands comprised of 11 leases covering 117,120 acres in the Athabasca Oil Sands Area of Northern Alberta. SilverWillow will be initially capitalized with approximately Cdn\$23 million (subject to adjustment) of working capital transferred from SilverBirch, which we believe will allow for the continued development of such assets and properties. SilverWillow has applied to list the SilverWillow Shares on the TSX Venture Exchange (the "**TSX-V**") (Tier 2). The TSX-V has conditionally accepted the listing of the SilverWillow Shares. Listing is subject to SilverWillow fulfilling all of the requirements of the TSX-V. If listing approval is ultimately obtained, trading in the SilverWillow Shares is expected to commence concurrently with the delisting of the SilverBirch Common Shares from the TSX-V.

**The Board of Directors has unanimously determined that the Arrangement is in the best interests of SilverBirch and has, based upon, among other things, the opinions of the Financial Advisors, unanimously determined that the Arrangement is fair to SilverBirch Shareholders. Accordingly, the Board of Directors has unanimously approved the Arrangement and unanimously recommends that shareholders vote in favour of the Arrangement Resolution.**

To be effective, the Arrangement must be approved by a resolution passed at the special meeting by not less than two-thirds of the votes validly cast and also by a majority of the votes validly cast by shareholders other than those required to be excluded in determining such approval pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*. Directors and executive officers of SilverBirch, as well as West Face Capital Inc. and The Children's Investment Fund Management (UK) LLP, two of SilverBirch's largest shareholders, which directors, executive officers and shareholders, together with their associates and affiliates, collectively own or exercise control or direction over approximately 38 percent of the issued and outstanding SilverBirch Common Shares on an undiluted basis (approximately

41 percent on a fully-diluted basis), have entered into lock-up agreements with the Purchaser and Teck agreeing to support and vote in favour of the Arrangement. In addition, Teck owns approximately 9.3 percent of the outstanding SilverBirch Common Shares on an undiluted basis (approximately 8.7 percent on a fully-diluted basis).

It is anticipated that the Arrangement will be completed in April 2012 if SilverBirch shareholders approve the Arrangement, subject to obtaining court approval and the required governmental and regulatory approvals and satisfying other usual and customary conditions contained in the arrangement agreement dated January 8, 2012 among SilverBirch, Teck and the Purchaser.

It is important that your SilverBirch Common Shares be represented at the special meeting. Whether or not you are able to attend, we urge you to complete the enclosed form of proxy and return it to Equity Financial Trust Company in the envelope provided or to Equity Financial Trust Company, Attn: Proxy Dept., 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1 or by fax to the attention of Equity Financial Trust Company, Attn: Proxy Dept. at 416-595-9593, not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in Alberta) prior to the commencement of the special meeting or any adjournment or postponement thereof. The time limit for the deposit of proxies may be waived by the Chairman of the Board of Directors in his discretion, without notice.

Included with this letter, in addition to the form of proxy, is a notice of the special meeting and an information circular (the "**Information Circular**"). The Information Circular contains a detailed description of the Arrangement, including a summary of certain information in the Information Circular, as well as detailed information concerning SilverWillow. You should consider carefully all of the information in the Information Circular. If you require assistance, consult your financial, legal, tax or other professional advisors.

Also enclosed is a letter of transmittal (on blue paper) containing complete instructions on how registered SilverBirch shareholders may exchange their SilverBirch Common Shares. Registered shareholders will not actually receive their cash and SilverWillow Shares until the Arrangement is completed and they have returned their properly completed documents, including the letter of transmittal and share certificates for their SilverBirch Common Shares.

On behalf of SilverBirch, I would like to thank all shareholders for their ongoing support as we prepare to take part in this important transaction for SilverBirch.

Yours very truly,

(Signed) "*Howard J. Lutley*"  
President and Chief Executive Officer  
SilverBirch Energy Corporation

## NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

### SILVERBIRCH ENERGY CORPORATION

**NOTICE IS HEREBY GIVEN** that, pursuant to an order (the "**Interim Order**") of the Court of Queen's Bench of Alberta (the "**Court**") dated February 27, 2012, a special meeting (the "**Meeting**") of the holders (the "**SilverBirch Shareholders**") of common shares ("**SilverBirch Common Shares**") of SilverBirch Energy Corporation ("**SilverBirch**") will be held at 2:30 p.m. (Calgary time) on Thursday, March 29, 2012 in the McMurray Room at the Calgary Petroleum Club, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta, for the following purposes:

1. for SilverBirch Shareholders to consider and, if deemed advisable, to pass, with or without variation, a special resolution (the "**Arrangement Resolution**"), the full text of which is set forth in Appendix A to the accompanying information circular of SilverBirch (the "**Information Circular**"), to approve an arrangement (the "**Arrangement**") under Section 192 of the *Canada Business Corporations Act* (the "**CBCA**") involving SilverBirch, Teck Resources Limited, 8071667 Canada Inc., SilverWillow Energy Corporation ("**SilverWillow**") and SilverBirch Shareholders;
2. for SilverBirch Shareholders to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution, the full text of which is set forth under the heading "Other Matter of Special Business Relating to SilverWillow – Approval of SilverWillow Stock Option Plan" in the Information Circular, ratifying and approving a stock option plan for SilverWillow; and
3. to transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

**The completion of the Arrangement is not conditional upon approval of the SilverWillow stock option plan.**

The board of directors of SilverBirch has set the close of business on February 17, 2012 as the record date for determining SilverBirch Shareholders who are entitled to receive notice of, and to vote at, the Meeting. Only SilverBirch Shareholders whose names have been entered in the register of SilverBirch Shareholders at the close of business on that date are entitled to receive notice of, and to vote at, the Meeting.

The Arrangement is described in the Information Circular, which forms part of this Notice. The full text of the Arrangement Resolution is set out in Appendix A to the Information Circular.

Pursuant to the Interim Order, registered SilverBirch Shareholders have the right to dissent with respect to the Arrangement Resolution and, if the Arrangement becomes effective, to be paid the fair value of their SilverBirch Common Shares in accordance with the provisions of Section 190 of the CBCA, as modified by the Interim Order. A registered SilverBirch Shareholder wishing to exercise its right to dissent with respect to the Arrangement must send to SilverBirch a written objection to the Arrangement Resolution, which written objection must be received by SilverBirch c/o its counsel Blake, Cassels & Graydon LLP, 3500, 855 – 2<sup>nd</sup> Street S.W., Calgary, Alberta, T2P 4J8, Attention: Pat Finnerty, by no later than 5:00 p.m. (Calgary time) on March 21, 2012. A SilverBirch Shareholder's right to dissent is more particularly described in the Information Circular (see "Dissenting SilverBirch Shareholder Rights") and a copy of the Interim Order and the text of Section 190 of the CBCA are set forth in Appendices B and I, respectively, to the Information Circular.

**Failure to strictly comply with the requirements set forth in Section 190 of the CBCA, as modified by the Interim Order, may result in the loss of any right to dissent. Persons who are beneficial owners of SilverBirch Common Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered holders of SilverBirch Common Shares are entitled to dissent. Accordingly, a beneficial owner of SilverBirch Common Shares desiring to exercise this right must make arrangements for the SilverBirch Common Shares beneficially owned by such SilverBirch Shareholder to be registered in the SilverBirch Shareholder's name prior to the time the written objection to the Arrangement Resolution is required to be received by SilverBirch or, alternatively, make arrangements for the registered holder of such SilverBirch Common Shares to dissent on the SilverBirch Shareholder's behalf. It is strongly suggested that any SilverBirch Shareholder wishing to dissent seek independent legal advice, as the failure to comply strictly with the provisions of the CBCA, as modified by the Interim Order, may prejudice such SilverBirch Shareholder's right to dissent. SilverBirch Shareholders who have voted in favour of the Arrangement Resolution, in person or by proxy, shall not be accorded the right to dissent.**

Whether or not you intend to attend the Meeting, you are requested to complete, sign, date and return the enclosed form of proxy either to Equity Financial Trust Company in the enclosed addressed envelope or to Equity Financial Trust Company, Attn: Proxy Dept., 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1 or by fax to the attention of Equity Financial Trust Company, Attn: Proxy Dept. at 416-595-9593, no later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in Alberta) prior to the commencement of the Meeting or any adjournment or postponement thereof. The time limit for the deposit of proxies may be waived by the Chairman of the SilverBirch Board of Directors in his discretion, without notice.

**DATED** at Calgary, Alberta, this 28<sup>th</sup> day of February, 2012.

**BY ORDER OF THE BOARD OF DIRECTORS OF  
SILVERBIRCH ENERGY CORPORATION**

(Signed) "*Donald R. Ingram*"  
Chairman of the Board of Directors

IN THE COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*,  
R.S.C. 1985, c. C-44, AS AMENDED

AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING

SILVERBIRCH ENERGY CORPORATION, TECK RESOURCES LIMITED, 8071667 CANADA INC.,  
SILVERWILLOW ENERGY CORPORATION

AND

THE SECURITYHOLDERS OF SILVERBIRCH ENERGY CORPORATION

NOTICE OF ORIGINATING APPLICATION

**NOTICE IS HEREBY GIVEN** that an application (the "**Application**") has been filed with the Court of Queen's Bench of Alberta, Judicial District of Calgary (the "**Court**") on behalf of SilverBirch Energy Corporation ("**SilverBirch**") with respect to a proposed arrangement (the "**Arrangement**") under Section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "**CBCA**"), involving SilverBirch, Teck Resources Limited ("**Teck**"), 8071667 Canada Inc., SilverWillow Energy Corporation ("**SilverWillow**"), holders of common shares of SilverBirch ("**SilverBirch Shareholders**") and holders of share purchase options of SilverBirch (collectively, the "**Arrangement Parties**"), which Arrangement is described in greater detail in the information circular of SilverBirch dated February 28, 2012, accompanying this Notice of Originating Application.

At the hearing of the Application, SilverBirch intends to seek:

- (a) a declaration that the terms and conditions of the Arrangement, and the procedures relating thereto, are fair to the persons affected, including SilverBirch and the SilverBirch Shareholders;
- (b) an Order approving the Arrangement pursuant to the provisions of Section 192 of the CBCA and pursuant to the terms and conditions of the Arrangement Agreement;
- (c) a declaration that the Arrangement, upon the filing of the Articles of Arrangement with the director appointed under Section 260 of the CBCA (the "**Director**") and the issuance of a certificate of arrangement by the Director, pursuant to the provisions of Section 192 of the CBCA, will become effective in accordance with its terms and will be binding on each of the Arrangement Parties, together with Frontier Energy Partnership and a new company to be incorporated by SilverBirch under the CBCA for the purposes of becoming a partner in Frontier Energy Partnership, on and after the Effective Date as defined in the Arrangement; and
- (d) such other and further orders, declarations and directions as the Court may deem just.

**AND NOTICE IS HEREBY GIVEN** that the Court has been advised that its order approving the Arrangement, if granted, will constitute the basis for an exemption from the registration requirements of the *United States Securities Act of 1933*, as amended (the "**U.S. Securities Act**"), pursuant to Section 3(a)(10) thereof, with respect to the issuance of the common shares of SilverWillow to be issued pursuant to the Arrangement.

**AND NOTICE IS FURTHER GIVEN** that the said Application was directed to be heard before a Justice of the Court of Queen's Bench of Alberta, Calgary Courts Centre, 601 – 5<sup>th</sup> Street S.W., Calgary, Alberta, T2P 5P7, on the 2<sup>nd</sup> day of April, 2012 at 2:00 p.m. (Calgary time) or as soon thereafter as counsel may be heard. Any SilverBirch Shareholder or any other interested party desiring to support or oppose the Application, may appear at the time of the hearing in person or by counsel for that purpose. **Any SilverBirch Shareholder or any other interested party desiring to appear at the hearing is required to file with the Court of Queen's Bench of Alberta, Judicial District of Calgary, and serve upon SilverBirch on or before 5:00 p.m. (Calgary time) on March 21, 2012, a notice of intention to appear, including an address for service in the Province of Alberta together with any evidence or materials which are to be presented to the Court.** Service on SilverBirch is to be effected by delivery to the solicitors for SilverBirch at the address below. If any SilverBirch

Shareholder or any other interested party does not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, without any further notice.

**AND NOTICE IS FURTHER GIVEN** that no further notice of the Application will be given by SilverBirch and that in the event the hearing of the Application is adjourned, only those persons who have appeared before the Court for the hearing of the Application shall be served with notice of the adjourned date.

**AND NOTICE IS FURTHER GIVEN** that the Court, by Order dated February 27, 2012 (the "**Interim Order**"), has given directions as to the calling and holding of the meeting of SilverBirch Shareholders for the purpose of such holders voting upon the special resolution to approve the Arrangement and has directed that registered SilverBirch Shareholders shall have the right to dissent with respect to the Arrangement in accordance with the provisions of Section 190 of the CBCA, as amended by the Interim Order.

**AND NOTICE IS FURTHER GIVEN** that a copy of the said Application and other documents in the proceedings will be furnished to any SilverBirch Shareholder or other interested party requesting the same by the undermentioned solicitors for SilverBirch upon written request delivered to such solicitors as follows:

Blake, Cassels & Graydon LLP  
#3500, East Tower, Bankers Hall  
855 – 2<sup>nd</sup> Street SW  
Calgary, Alberta T2P 4J8  
Attention: Melanie Gaston

**DATED** at the City of Calgary, in the Province of Alberta, this 28<sup>th</sup> day of February, 2012.

**BY ORDER OF THE BOARD OF DIRECTORS OF  
SILVERBIRCH ENERGY CORPORATION**

(Signed) "*Donald R. Ingram*"  
Chairman of the Board of Directors



## INFORMATION CIRCULAR

### Introduction

**This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of SilverBirch for use at the Meeting and any adjournments or postponements thereof. No person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.**

All summaries of, and references to, the Arrangement in this Information Circular are qualified in their entirety by reference to the complete text of the Plan of Arrangement, a copy of which is attached to this Information Circular as Appendix D. You are urged to carefully read the full text of the Plan of Arrangement.

All capitalized terms used in this Information Circular but not otherwise defined herein have the meanings set forth under "Glossary of Terms". Information contained in this Information Circular is given as of February 28, 2012 unless otherwise specifically stated.

The information concerning Teck and the Purchaser contained in this Information Circular, including the appendices, has been provided by Teck and the Purchaser for inclusion in this Information Circular. Although SilverBirch has no knowledge that any statements contained herein taken from or based on such information provided by Teck and the Purchaser are untrue or incomplete, SilverBirch assumes no responsibility for the accuracy of such information or for any failure by Teck or the Purchaser to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to SilverBirch.

This Information Circular does not constitute an offer to sell, or a solicitation of an offer to purchase the securities to be issued under or in connection with the Arrangement, or the solicitation of a proxy, in any jurisdiction, to or from any person to whom it is unlawful to make such offer, solicitation of an offer or proxy solicitation in such jurisdiction. Neither the delivery of this Information Circular nor any distribution of the securities to be issued under or in connection with the Arrangement will, under any circumstances, create any implication or be treated as a representation that there has been no change in the information set forth herein since the date of this Information Circular.

**THE SECURITIES TO BE ISSUED PURSUANT TO THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY ANY CANADIAN SECURITIES REGULATORY AUTHORITY NOR HAS ANY CANADIAN SECURITIES REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

### INFORMATION FOR U.S. SHAREHOLDERS

The issuance of the SilverWillow Shares to SilverBirch Shareholders in exchange for their securities pursuant to the Arrangement has not been and will not be registered under the U.S. Securities Act, and such securities will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof, on the basis of approval of the Court. The Court will consider, among other things, the fairness of the terms and conditions of the Arrangement to SilverBirch Shareholders.

This solicitation of proxies is not subject to the requirements of Section 14(a) of the U.S. Exchange Act. Accordingly, the solicitation and transactions contemplated in this Information Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and securities laws, and this Information Circular has been prepared in accordance with disclosure requirements applicable in Canada. SilverBirch Shareholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the U.S. Securities Act and proxy statements under the U.S. Exchange Act.

All audited and unaudited financial statements and other financial information included or incorporated by reference in this Information Circular have been prepared in Canadian dollars ("**Cdn\$**") unless otherwise noted, and in accordance with Canadian GAAP, and are subject to Canadian auditing and auditor independence standards, which differ from U.S. GAAP and United States auditing and auditor independence standards in certain material respects. Consequently, such financial statements and other financial information are not comparable in all respects to financial statements prepared in accordance with U.S. GAAP and that are subject to United States auditing and auditor independence standards. Likewise, pro forma

information concerning the assets of SilverWillow has been prepared in accordance with Canadian standards and may not be comparable in all respects to similar information for United States companies.

Additionally, oil and gas resources information contained or incorporated by reference in this Information Circular has been prepared in accordance with Canadian disclosure standards, which may not be comparable in all respects to United States disclosure standards.

**SilverBirch Shareholders should be aware that the acquisition of the SilverWillow Shares pursuant to the Arrangement described herein may have tax consequences both in the United States and in Canada. See "Tax Considerations to SilverBirch Shareholders – Certain Canadian Federal Income Tax Considerations" and "Tax Considerations to SilverBirch Shareholders – Certain United States Federal Income Tax Considerations". SilverBirch Shareholders that are U.S. Holders (as defined below) should consult their own tax advisors with respect to their own particular circumstances.**

The enforcement by investors of civil liabilities under U.S. Securities Laws may be affected adversely by the fact that SilverBirch and SilverWillow are organized under the laws of Canada, that their officers and directors are, or will be, residents of countries other than the United States, that certain experts named in this Information Circular are residents of countries other than the United States, and that all or substantial portions of the assets of SilverBirch, SilverWillow and such other persons are, or will be, located outside the United States. As a result, it may be difficult or impossible for SilverBirch Shareholders in the United States to effect service of process within the United States upon SilverBirch and SilverWillow and their directors and officers, or to realize, against them, upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States. In addition, SilverBirch Shareholders in the United States should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States.

The SilverWillow Shares issuable to SilverBirch Shareholders pursuant to the Arrangement will be freely transferable under U.S. federal securities laws, except by persons who are "affiliates" of SilverWillow after the Arrangement. See "The Arrangement – United States Securities Law Matters".

**THE SECURITIES ISSUABLE PURSUANT TO THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY SUCH STATE REGULATORY AUTHORITY PASSED ON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

#### **FORWARD-LOOKING STATEMENTS**

This Information Circular, including all documents incorporated by reference herein, contains forward-looking statements and forward-looking information (collectively referred to herein as "**forward-looking statements**") within the meaning of applicable Securities Laws and U.S. Securities Laws and the U.S. Private Securities Litigation Reform Act of 1995. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "will", "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "may", "project", "should", "considers", "opportunity", "focused", "potential", "goal", "possible" and variations of such words and similar expressions are intended to identify forward-looking statements. These statements and information are only predictions. Actual events or results may differ materially from the events and results expressed in the forward-looking statements. In addition, this Information Circular may contain forward-looking statements attributed to third-party industry sources. Undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur.

Specific forward-looking statements contained in this Information Circular include, among others, statements regarding: activities, events or developments that either SilverBirch or SilverWillow expects or anticipates will or may occur in the

future, including SilverBirch's assessment of future plans and operations; the potential for further development of certain assets of SilverBirch; the anticipated timeline for and potential production from the Frontier Project and the practices to be employed in connection with the Frontier Project; statements with respect to the Arrangement; the business of and timing of the Meeting or hearing; the timing of the Final Order and the Effective Date of the Arrangement; considerations of the Court in assessing the application for the Final Order; the listing of SilverWillow Shares issued under the Arrangement and the timing of commencement of trading of the SilverWillow Shares; the transferability of the SilverWillow Shares in the United States; the estimate of the working capital that SilverWillow will have following the Arrangement; the estimated tax liabilities of SilverBirch; the anticipated tax treatment of the Arrangement for SilverBirch Shareholders; the treatment of SilverBirch Options; compensation to officers under executive employment agreements as a result of a change of control; the delisting of the SilverBirch Common Shares and the timing thereof; the estimated payments to directors and officers in connection with a change of control as a result of consummation of the Arrangement; the anticipated cessation of employment of SilverBirch employees in connection with the Arrangement; the indemnification of SilverBirch's directors and officers following the Arrangement; expectations regarding the incentive and compensation plan of SilverWillow; financial information relating to SilverWillow; fees payable in connection with the Arrangement and the Meeting; the timing of commencement of operations; the timing of filing regulatory applications; the impact of governmental controls and regulations on SilverWillow's operations; the timing of receipt of required approvals and permits from regulatory authorities; statements regarding the SilverWillow Stock Option Plan; SilverWillow's assets, liabilities, financial resources, financial position and growth prospects; any anticipated amendments to the capital structure of SilverWillow; and the anticipated benefits from the Arrangement.

Statements relating to "resources" are forward-looking statements, as they involve the implied assessment, based on estimates and assumptions, that the resources described exist in the quantities predicted or estimated, and can be profitably produced in the future.

With respect to forward-looking statements contained in this Information Circular, SilverBirch made assumptions regarding, among other things: the expected costs of potential projects; the plans of counterparties, including Teck; future crude oil, bitumen and natural gas prices; SilverBirch's and SilverWillow's ability to obtain qualified staff and equipment in a timely and cost-efficient manner to meet its demands; the regulatory framework with respect to royalties, taxes, environmental matters, resource recovery and securities matters in which SilverBirch conducts and SilverWillow will conduct its business; timing and progress of work relating to SilverBirch's assets; continuity of resource between core holes; future production levels; future capital expenditures; future sources of funding for SilverBirch's and SilverWillow's capital program; future debt levels; future business plans of SilverWillow; SilverBirch's geological and engineering estimates; the geography of the areas in which SilverBirch is and SilverWillow will be exploring; the impact of increasing competition; SilverWillow's ability to obtain financing on acceptable terms; the risk around change of scope; the sufficiency of budgeted capital expenditures in carrying out planned activities; that SilverWillow will be able to assume SilverBirch's and Teck's role with respect to the Spin-Off Assets; the receipt, in a timely manner, of regulatory, SilverBirch Shareholder and third party approvals in respect of the Arrangement; costs associated with SilverBirch operations; and the expected costs, fees and expenses of the Arrangement. These assumptions are based on certain factors and events that are not within the control of SilverBirch and there is no assurance they will prove to be correct.

The forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied in the forward-looking statements. Such risks, uncertainties and factors include, among others: difficulties encountered during the production of bitumen; the impact of competition; the need to obtain required approvals and permits from regulatory authorities; liabilities as a result of accidental damage to the environment; compliance with and liabilities under environmental laws and regulations; the uncertainty of estimates by SilverBirch's independent consultants with respect to its bitumen resources; the volatility of crude oil and natural gas prices and of the differential between heavy and light crude oil prices; the risks associated with exploring for, developing and producing bitumen; changes in the foreign exchange rate amount between the Canadian dollar and the U.S. dollar; risks that financial counterparties (including Teck) may not fulfill financial obligations due to SilverBirch and SilverWillow; liquidity and capital market constraints on SilverBirch and SilverWillow; risk that SilverBirch and SilverWillow are unable to sufficiently protect proprietary technology or may be subject to technology infringement claims from third parties; general economic conditions in Canada, the United States, and global markets; failure to obtain industry partners and other third-party consents and approvals when required; the impact of amendments to the Tax Act on SilverBirch and SilverWillow; changes in or the introduction of new government regulations, in particular related to carbon dioxide relating to SilverBirch's and SilverWillow's business; the uncertainty of SilverBirch's and SilverWillow's ability to attract capital for both debt and equity when necessary; risks relating to the early stage of development of the Spin-Off Assets and the nature of the exploration and development activities on such assets;

the risk that a claim will be made by SilverBirch in respect of an indemnity obligation of SilverWillow pursuant to the Transfer Agreement; consummation of the Arrangement being dependent on the satisfaction of customary closing conditions, the approval of SilverBirch's Shareholders and the approval of the Court; the risk of termination of the Arrangement Agreement; and classification of SilverWillow as a PFIC.

The estimated working capital of SilverWillow upon completion of the Arrangement is inherently difficult to calculate and dependent upon assumptions such as future results of SilverBirch operations up to the date of calculation, the trading price of SilverBirch Common Shares prior to the completion of the Arrangement, costs of the Arrangement, estimated tax liabilities of SilverBirch and other factors. The actual working capital amount prior to the close of the Arrangement may be materially different than the current estimate and such a difference could have a material adverse effect on the financial position of SilverWillow.

Readers are cautioned that the foregoing lists are not exhaustive. The information contained in this Information Circular, including the information provided under the heading "Risk Factors" herein, under the heading "Risk Factors" in Appendix G – Information Concerning SilverWillow to this Information Circular and in the documents incorporated by reference herein discusses certain of the items identified above and their impact more fully and identifies additional factors and uncertainties that could affect the performance and operating results of SilverBirch and SilverWillow. Readers are urged to carefully consider those factors and the other information contained or incorporated by reference in this Information Circular. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are interdependent, and management's future course of action would depend on the assessment of all information at that time.

Management has included the above summary of assumptions and risks related to forward-looking statements provided in this Information Circular in order to provide SilverBirch Shareholders with a more complete perspective on SilverBirch's current and future operations and the future operations of SilverWillow and such information may not be appropriate for other purposes. SilverBirch's and SilverWillow's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, the benefits that SilverBirch or SilverWillow will derive therefrom.

Neither SilverBirch nor SilverWillow give any assurance nor make any representations or warranties that the expectations conveyed by the forward-looking statements will prove to be correct and actual results may differ materially from those anticipated in the forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements in this Information Circular, nor in the documents incorporated by reference herein. All of the forward-looking statements made in this Information Circular and in the documents incorporated by reference herein are qualified by these cautionary statements. The forward-looking statements included herein are made as of the date of this Information Circular and SilverBirch undertakes no obligation to publicly update or revise any forward-looking statements to reflect new information, subsequent events or otherwise, unless so required by applicable Securities Laws.

See also Appendix G – Information Concerning SilverWillow – "Forward-Looking Statements".

#### **DISCLOSURE OF CONTINGENT RESOURCES AND OTHER RESOURCES**

In this Information Circular, including the attached Appendices and certain of the documents incorporated by reference herein, SilverBirch has disclosed estimated volumes of contingent resources based on information set forth in the Sproule Report in respect of the Frontier Project and the Equinox Project, as well as estimated volumes of discovered bitumen initially-in-place based on information in the Sproule Audet Report in respect of the Audet Lands.

**Discovered resources and contingent resources do not constitute, and should not be confused with, reserves. There is no certainty that it will be commercially viable to produce any portion of the resources. See "SilverBirch's Oil Sands Leases – Oil Sands Resource Estimates" in the SilverBirch AIF incorporated by reference herein, and also see "Principal Properties – Audet Lands – Audet Lands Oil Sands Resource Estimates" in Appendix G – Information Concerning SilverWillow. Resource estimates provided herein are estimates only. Actual contingent resources and discovered resources (and any volumes that may be classified as reserves) and future production from such contingent resources and discovered resources may be greater than or less than the estimates provided herein.**

## SUMMARY

*The following is a summary of certain information contained in this Information Circular. This summary is not intended to be complete and is qualified in its entirety by the more detailed information and financial statements, including the notes thereto, contained elsewhere in this Information Circular and the attached Appendices or incorporated by reference herein, all of which are important and should be reviewed carefully. Capitalized terms used in this summary without definition have the meanings ascribed to them in the "Glossary of Terms" or elsewhere in this Information Circular.*

### **The Arrangement**

Holders of issued and outstanding SilverBirch Common Shares (other than SilverBirch Common Shares held by Dissenting SilverBirch Shareholders) will ultimately receive in exchange for each SilverBirch Common Share the Cash Consideration and one SilverWillow Share pursuant to a series of transactions as set out in the Plan of Arrangement, which includes the following steps:

- (a) each issued and outstanding SilverBirch Common Share held by a Non-Resident shall be transferred to the Purchaser for the Cash Consideration and the obligation of the Purchaser to deliver to such Non-Resident one SilverWillow Share (see (e) below);
- (b) the share capital of SilverBirch shall be reorganized such that each SilverBirch Common Share shall be exchanged for one SilverBirch Class A Share and one SilverBirch Class B Share;
- (c) SilverBirch Shareholders (other than Teck) will exchange each SilverBirch Class B Share with SilverWillow for one SilverWillow Share;
- (d) each SilverBirch Class A Share (other than those held by either Teck or the Purchaser) shall be transferred to the Purchaser in exchange for the Cash Consideration; and
- (e) as additional consideration for each SilverBirch Common Share held by a Non-Resident, the Purchaser shall deliver to such Non-Resident, one SilverWillow Share.

The SilverBirch Common Shares held by Dissenting SilverBirch Shareholders in respect of which Dissent Rights have been validly exercised shall be deemed to be transferred to Teck and such Dissenting SilverBirch Shareholders shall cease to have any rights as holders of SilverBirch Common Shares other than a debt claim against Teck to be paid fair value for such SilverBirch Common Shares as set out in the Plan of Arrangement.

The Arrangement will be implemented by way of a court-approved plan of arrangement under the CBCA pursuant to the terms of the Arrangement Agreement.

The Arrangement Agreement is attached to this Information Circular as Appendix C. SilverBirch encourages you to read the Arrangement Agreement as it is the agreement among Teck, the Purchaser and SilverBirch that governs the Arrangement. See "The Arrangement – The Arrangement Agreement". The Plan of Arrangement is attached to this Information Circular as Appendix D. SilverBirch also encourages you to read the Plan of Arrangement. The foregoing description of steps is qualified in its entirety by reference to the full text of the Plan of Arrangement. See "The Arrangement – Arrangement Mechanics".

### **What SilverBirch Shareholders Are to Receive under the Arrangement**

Under the Arrangement, a SilverBirch Shareholder (other than a SilverBirch Shareholder who validly exercises his, her or its Dissent Rights) will ultimately receive, in exchange for each SilverBirch Common Share, Cdn\$8.50 in cash and one SilverWillow Share.

SilverWillow has applied to list the SilverWillow Shares on the TSX-V (Tier 2). The TSX-V has conditionally accepted the listing of the SilverWillow Shares. Listing is subject to SilverWillow fulfilling all of the requirements of the TSX-V. If listing approval is ultimately obtained, trading in the SilverWillow Shares is expected to commence concurrently with the delisting of the SilverBirch Common Shares from the TSX-V.

### **Date, Place, Record Date and Purpose of the Meeting**

The Meeting will be held at 2:30 p.m. (Calgary time) on Thursday, March 29, 2012 in the McMurray Room at the Calgary Petroleum Club, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta.

The SilverBirch Shareholders entitled to vote at the Meeting are those holders of record of SilverBirch Common Shares as of the close of business on February 17, 2012. See "Information Concerning the Meeting – Voting Shares and Principal Holders Thereof".

The primary purpose of the Meeting is for SilverBirch Shareholders to consider and, if deemed advisable, approve the Arrangement Resolution. See "Information Concerning the Meeting – Purpose of the Meeting".

In addition, at the Meeting SilverBirch Shareholders will also consider and, if deemed advisable, approve the SilverWillow Stock Option Plan. **The completion of the Arrangement is not conditional upon the approval of the SilverWillow Stock Option Plan. See "Other Matter of Special Business Relating to SilverWillow".**

### **The Companies**

#### ***SilverBirch***

SilverBirch Energy Corporation was incorporated under the CBCA on June 25, 2010 as "7573413 Canada Ltd.". On July 14, 2010, SilverBirch filed articles of amendment to change its name to "SilverBirch Energy Corporation". The registered and principal business office of SilverBirch is located at 1500, 202 – 6<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 2R9.

Other than SilverWillow, SilverBirch does not currently have any subsidiaries. As contemplated by the Arrangement Agreement, SilverBirch will, prior to the Effective Date, incorporate PartnerCo and form Frontier Partnership.

SilverBirch's principal focus is the creation of shareholder value through the production of bitumen from the oil sands deposits associated within the Frontier Project and the Equinox Project, in addition to the exploration and assessment of the Audet Lands.

SilverBirch is a pre-production oil sands company with a portfolio of mining and *in situ* oil sands properties, including a 50 percent working interest in the Frontier Project and the Equinox Project, the Birch Mountain Lands, the Jordan Lands and the Twin Lakes Lands and a 100 percent working interest in the Audet Lands and certain other exploration lands.

SilverBirch began operations October 1, 2010 as a newly formed oil sands exploration and development company with assets in Alberta's Athabasca Oil Sands Area. SilverBirch was formed as a result of the UTS Arrangement among SilverBirch, UTS, the shareholders of UTS and Total. Pursuant to the UTS Arrangement, former UTS shareholders received, for each common share of UTS held, cash consideration of Cdn\$3.08 as well as 0.1 of a SilverBirch Common Share. SilverBirch did not carry on any active business prior to closing of the UTS Arrangement. At the close of the UTS Arrangement, 48,556,031 SilverBirch Common Shares were issued to UTS shareholders on the basis of one SilverBirch Common Share for each ten shares of UTS.

SilverBirch holds a 50 percent interest, with its operating partner Teck, in both the Frontier Project and the Equinox Project, which are located on the west side of the Athabasca River, west of the Fort Hills project. The Equinox Project is adjacent to the Horizon Oil Sands project currently operated by Canadian Natural Resources Ltd. and the Pierre River project proposed by Shell and the Frontier Project is located to the north of both of these project areas. The Equinox Project is the planned fourth phase of the Frontier Project.

The Frontier Project and the Equinox Project are each mineable oil sands projects with earliest possible production by 2020 and 2029, respectively. In addition, SilverBirch holds 162,240 net acres in other exploration properties which SilverBirch management believes may have potential for further development. These properties include the Birch Mountain Lands, the Jordan Lands and the Twin Lakes Lands, held jointly with Teck, which consist of a 50 percent working interest in 15 exploration oil sands leases identified by Lease Agreements 469, 471, 837, 509, 510, 511, 513, 514, 422, 423, 611, 614, 615, 915 and 003, and collectively cover 209,280 acres in the Athabasca Oil Sands Area, as well as the Audet Lands, which consist of a 100 percent working interest in two oil sands leases identified by Lease Agreements 418 and 271 covering 23,040 acres in the Athabasca Oil Sands Area, and a 100 percent working interest in certain other exploration lands

associated with three oilsands leases identified by Lease Agreements 042, 043 and 044. SilverBirch believes some of these exploration lands may have the potential for *in situ* development opportunities using existing or emerging production technologies.

See "Information Concerning SilverBirch" included in this Information Circular.

#### ***SilverWillow***

SilverWillow is a corporation incorporated under the CBCA. The registered and principal business office of SilverWillow is located at 1500, 202 – 6<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 2R9.

SilverWillow was incorporated on January 5, 2012 for the sole purpose of participating in the Arrangement and has not carried on any active business other than in connection with the Arrangement and related matters. SilverBirch presently owns the single outstanding share of SilverWillow. SilverWillow does not have subsidiaries.

Immediately following completion of the Arrangement, SilverWillow will carry on the business currently carried on by SilverBirch and Teck with respect to the Spin-Off Assets and it is currently estimated that SilverWillow will have approximately Cdn\$23 million (subject to adjustments) of working capital upon closing of the Arrangement. This estimate of working capital is inherently difficult to calculate and dependent upon assumptions and factors including: future results of SilverBirch operations up to the date of calculation; the trading price of the SilverBirch Common Shares prior to the completion of the Arrangement; costs of the Arrangement; and the estimated tax liabilities of SilverBirch. The actual working capital amount at the close of the Arrangement may be materially different than the current estimate.

See "Information Concerning SilverWillow" included in this Information Circular and Appendix G – Information Concerning SilverWillow to this Information Circular.

#### ***Teck***

Teck Resources Limited was continued under the CBCA in 1978. Teck's business is exploring for, developing and producing natural resources. Its activities are organized into business units focused on copper, coal, zinc and energy.

See "Information Concerning Teck and the Purchaser" included in this Information Circular.

#### ***Purchaser***

The Purchaser is a corporation incorporated under the CBCA. The Purchaser was incorporated on January 4, 2012 for the purpose of participating in the Arrangement and has not carried on any active business other than in connection with the Arrangement and related matters. Teck presently owns the single outstanding share of the Purchaser.

See "Information Concerning Teck and the Purchaser" included in this Information Circular.

#### **Background and Reasons for the Arrangement**

The background to the Arrangement, as well as the reasons of the SilverBirch Board of Directors for its recommendation of the Arrangement, are set forth in this Information Circular. See "The Arrangement – Background and Reasons for the Arrangement" included in this Information Circular.

#### **Recommendation of the SilverBirch Board of Directors**

The SilverBirch Board of Directors has reviewed the terms of the Arrangement Agreement and has unanimously determined that the Arrangement is in the best interests of SilverBirch and has, based upon, among other things, the Fairness Opinions of the Financial Advisors, unanimously determined that the Arrangement is fair to SilverBirch Shareholders. **Accordingly, the SilverBirch Board of Directors has unanimously approved the Arrangement and unanimously recommends that SilverBirch Shareholders vote in favour of the Arrangement Resolution. See "The Arrangement – Approval and Recommendation of the SilverBirch Board of Directors".**

### **Lock-Up Agreements**

Directors and executive officers of SilverBirch, as well as West Face Capital Inc. and The Children's Investment Fund Management (UK) LLP, two of SilverBirch's largest shareholders, have each entered into Lock-Up Agreements with the Purchaser and Teck pursuant to which they have agreed, among other things, to support the Arrangement and vote their SilverBirch Common Shares in favour of the Arrangement Resolution. As of February 28, 2012, these directors, executive officers, West Face Capital Inc. and The Children's Investment Fund Management (UK) LLP (together with their associates and affiliates), collectively own or exercise control or direction over an aggregate of 18,807,384 SilverBirch Common Shares, representing approximately 38 percent of the issued and outstanding SilverBirch Common Shares on an undiluted basis (21,807,384 SilverBirch Common Shares, representing approximately 41 percent on a fully-diluted basis). In addition, Teck owns or exercises control or direction over an aggregate of 4,675,200 SilverBirch Common Shares, representing approximately 9.3 percent of the issued and outstanding SilverBirch Common Shares on an undiluted basis (approximately 8.7 percent on a fully-diluted basis).

### **Opinions of Financial Advisors**

In deciding to approve the Arrangement, the SilverBirch Board of Directors considered, among other things, the Fairness Opinions of the Financial Advisors. The SilverBirch Board of Directors received separate Fairness Opinions from RBC Capital Markets and TD Securities that, as of the date of their respective opinions and subject to and based on the various assumptions, limitations and qualifications referred to in their respective opinions, the consideration to be received by SilverBirch Shareholders pursuant to the Arrangement is fair, from a financial point of view, to SilverBirch Shareholders other than Teck. The Fairness Opinions are attached to this Information Circular as Appendices E and F, respectively. **SilverBirch encourages you to read these opinions in their entirety.** See "The Arrangement – Opinions of Financial Advisors".

RBC Capital Markets and TD Securities provided their respective Fairness Opinions for the information and assistance of the SilverBirch Board of Directors in connection with its consideration of the Arrangement and the Fairness Opinions may not be relied upon by any other person. The Fairness Opinions are not recommendations as to how any SilverBirch Shareholder should vote with respect to the Arrangement or any other matter.

### **Procedure for the Arrangement to Become Effective**

#### ***Procedural Steps***

The Arrangement is proposed to be carried out pursuant to Section 192 of the CBCA. The following procedural steps must be taken in order for the Arrangement to become effective:

- (a) the Arrangement must be approved by the SilverBirch Shareholders in the manner set forth in the Interim Order;
- (b) the Court must grant the Final Order approving the Arrangement;
- (c) all conditions precedent to the Arrangement, as set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate Party;
- (d) the Final Order and Articles of Arrangement in the form prescribed by the CBCA must be filed with the Director; and
- (e) the Certificate of Arrangement giving effect to the Arrangement must be issued.

#### ***Shareholder Approval***

Approval of the Arrangement Resolution requires the affirmative vote of: (i) not less than two-thirds (66⅔ percent) of the votes validly cast on the Arrangement Resolution, and (ii) a majority of the votes validly cast on the Arrangement Resolution other than those required to be excluded in determining such approval pursuant to MI 61-101, in each case by SilverBirch Shareholders present in person or represented by proxy at the Meeting. See "The Arrangement – Shareholder Approval of the Arrangement" and "The Arrangement – Minority Approval".



Approval of the SilverWillow Stock Option Plan requires the affirmative vote of a majority of the votes validly cast on the resolution relating thereto at the Meeting by SilverBirch Shareholders present in person or represented by proxy at the Meeting. See "Other Matter of Special Business Relating to SilverWillow".

#### ***Court Approval***

Implementation of the Arrangement requires the satisfaction of several conditions and the approval of the Court. See "The Arrangement – Court Approval of the Arrangement and Completion of the Arrangement". An application for the Final Order approving the Arrangement is expected to be made on April 2, 2012 at 2:00 p.m. (Calgary time) at the Calgary Courts Centre, 601 – 5<sup>th</sup> Street S.W., Calgary, Alberta. On the application, the Court will consider the procedural and substantive fairness of the Arrangement.

#### ***Conditions Precedent***

The implementation of the Arrangement is subject to a number of conditions being satisfied or waived by one or more of SilverBirch, the Purchaser and Teck on or before the Effective Date. See "The Arrangement – The Arrangement Agreement – Conditions to Closing".

#### ***Effective Time***

It is anticipated that the Arrangement will become effective in early April, 2012 after the required SilverBirch Shareholder, Court and Regulatory Approvals have been obtained and are final and all other conditions to closing have been satisfied or waived. See "The Arrangement – The Arrangement Agreement – Effective Date of the Arrangement".

#### ***Regulatory Matters***

In addition to the approval of SilverBirch Shareholders and the Court, it is a condition to the implementation of the Arrangement that all of the requisite Regulatory Approvals be obtained. See "The Arrangement – Regulatory Matters".

#### ***Non-Solicitation Provisions and Right to Match***

In the Arrangement Agreement, SilverBirch has agreed not to, directly or indirectly, solicit or participate in any discussions or negotiations with any person (other than Teck) regarding an Acquisition Proposal. Nonetheless, the SilverBirch Board of Directors is permitted to consider and accept a Superior Proposal under certain conditions. Teck is entitled to a minimum five business day period within which it may make adjustments in the terms and conditions of the Arrangement Agreement and the Arrangement to enable SilverBirch to proceed with the Arrangement as amended rather than the Superior Proposal. If SilverBirch enters into an agreement regarding a Superior Proposal, SilverBirch will be required to pay to the Purchaser the Termination Fee. See "The Arrangement – The Arrangement Agreement – Covenants – Covenants of SilverBirch Regarding Non-Solicitation and Right to Match".

#### ***Termination of Arrangement Agreement***

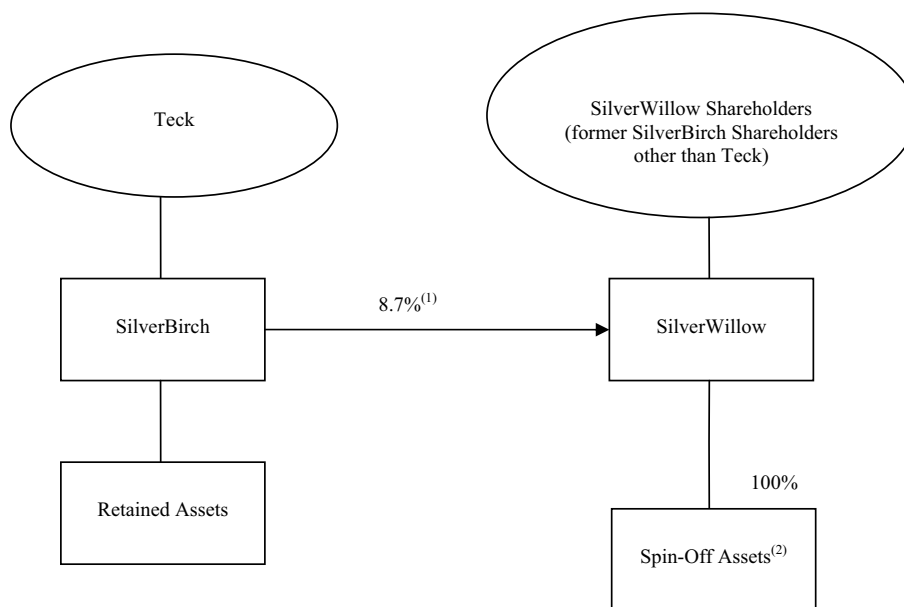
SilverBirch and the Purchaser may agree in writing to terminate the Arrangement Agreement and abandon the Arrangement at any time prior to the Effective Time. In addition, either SilverBirch or the Purchaser may terminate the Arrangement Agreement and abandon the Arrangement at any time prior to the Effective Time if certain specified events occur. See "The Arrangement – The Arrangement Agreement – Termination of the Arrangement Agreement".

#### ***Termination Fees and Expenses***

The Arrangement Agreement requires that SilverBirch pay the Termination Fee in certain circumstances, including if the Arrangement is not completed for certain reasons. See "The Arrangement – The Arrangement Agreement – Termination Fees". The Arrangement Agreement also requires that SilverBirch reimburse Teck for its actual expenses in connection with the transactions contemplated by the Arrangement Agreement up to a maximum of Cdn\$1.5 million in certain circumstances, including if the Arrangement is not completed for certain reasons. See "The Arrangement – The Arrangement Agreement – Expense Reimbursement".

### The Post-Arrangement Structure

The following chart shows, in a simplified manner, the relationship between SilverBirch, SilverWillow, Teck and the former SilverBirch Shareholders immediately following completion of the Arrangement.



#### Notes:

- (1) Approximate and assuming that there are no Dissenting SilverBirch Shareholders and that all of the in-the-money SilverBirch Options are exercised prior to the Arrangement. Immediately following completion of the steps in the Plan of Arrangement, through its ownership interest in the Purchaser, Teck will indirectly hold its post-Arrangement interest in SilverWillow through SilverBirch, with SilverBirch holding an interest in SilverWillow equal to the interest of Teck in SilverBirch after the transfer of any SilverBirch Common Shares to Teck by Dissenting SilverBirch Shareholders. As of February 28, 2012, Teck owns 4,675,200 SilverBirch Common Shares, representing approximately 8.7 percent of the issued and outstanding SilverBirch Common Shares on a fully-diluted basis (approximately 9.3 percent on an undiluted basis).
- (2) The "Spin-Off Assets" are comprised of certain assets in which SilverWillow will own a 100 percent working interest. See Appendix G – Information Concerning SilverWillow.

#### Procedures for Exchange of Share Certificates

Enclosed with this Information Circular is a Letter of Transmittal which, when properly completed and duly executed and returned together with the certificate or certificates representing SilverBirch Common Shares and all other required documents, will enable each SilverBirch Shareholder to obtain the Cash Consideration and SilverWillow Shares that the SilverBirch Shareholder is entitled to receive under the Arrangement. The Letter of Transmittal will contain instructions on how to exchange SilverBirch Common Shares. See "The Arrangement – Procedure for Exchange of Share Certificates by SilverBirch Shareholders".

#### Arrangements Respecting SilverBirch Options and Executive Employment Agreements

The Arrangement will result in a "change of control" for purposes of the SilverBirch Option Plan as well as SilverBirch's executive employment agreements. Pursuant to the SilverBirch Option Plan, upon the consummation of the Arrangement, all of the SilverBirch Options not previously exercised would become exercisable in full at the time of the change of control of SilverBirch.

Pursuant to the Arrangement Agreement, the Parties acknowledged that all awards under the SilverBirch Option Plan shall be accelerated thereunder and that upon approval of the Arrangement by the SilverBirch Shareholders SilverBirch will cause all outstanding SilverBirch Options to vest. All SilverBirch Options must be exercised, terminated or surrendered such that no SilverBirch Options to purchase or receive SilverBirch Common Shares will remain outstanding as of the Effective Date.

In order to facilitate the exercise of all SilverBirch Options prior to the Arrangement becoming effective, the SilverBirch Board of Directors has approved the vesting of all outstanding SilverBirch Options, conditional upon the Effective Time occurring, in order that all outstanding SilverBirch Options shall be fully vested and may be exercised in connection with the Arrangement.

Under the Arrangement Agreement it is a condition precedent to the Arrangement in favour of the Purchaser that each of the Locked-Up Directors and Officers shall have provided his or her written resignation as a director or officer of SilverBirch effective on or before the Effective Date. It is also anticipated that all employees of SilverBirch will cease to be employees of SilverBirch in connection with the Arrangement.

Pursuant to the Plan of Arrangement, all SilverBirch Options that have not been exercised on or before the Effective Date shall be cancelled.

See "The Arrangement – SilverBirch Options" and "The Arrangement – Interests of Certain Persons in the Arrangement".

#### **Dissent Rights**

Registered SilverBirch Shareholders are entitled to exercise Dissent Rights in accordance with the provisions of the CBCA as modified by the Interim Order. If a registered SilverBirch Shareholder dissents, and the Arrangement is completed, Teck will acquire the shares of the Dissenting SilverBirch Shareholder in consideration of a debt claim against Teck entitling the Dissenting SilverBirch Shareholder to be paid the "fair value" of its SilverBirch Common Shares as of the close of business on the day before the day the Arrangement Resolution is adopted. This amount may be the same as, more than or less than the consideration and other property offered under the Arrangement. Completion of the Arrangement is conditional on Dissent Rights not having been exercised by the holders of more than five percent of the outstanding SilverBirch Common Shares.

A registered SilverBirch Shareholder who wishes to dissent must provide a dissent notice to SilverBirch by 5:00 p.m. (Calgary time) on March 21, 2012 as more particularly described in the Information Circular. **It is important that registered SilverBirch Shareholders who wish to dissent comply strictly with the dissent procedures described in this Information Circular, which are different from the statutory dissent procedures of the CBCA. See "Dissenting SilverBirch Shareholder Rights".**

#### **Stock Exchange Listings**

##### ***SilverBirch Common Shares***

The SilverBirch Common Shares will be delisted from the TSX-V after the Effective Date.

##### ***SilverWillow Shares***

SilverWillow has applied to list the SilverWillow Shares issuable pursuant to the Arrangement on the TSX-V (Tier 2). The TSX-V has conditionally accepted the listing of the SilverWillow Shares. Listing is subject to SilverWillow fulfilling all of the requirements of the TSX-V. If listing approval is ultimately obtained, trading in the SilverWillow Shares is expected to commence concurrently with the delisting of the SilverBirch Common Shares from the TSX-V.

#### **SilverBirch Common Share Market Information**

The following table provides the closing price per share of SilverBirch Common Shares on January 6, 2012, the last full trading day on the TSX-V before the public announcement of the proposed Arrangement, and on February 27, 2012, the last full trading day on the TSX-V before the date of this Information Circular.

<b>Date</b>	<b>SilverBirch Common Shares (TSX-V)</b>
January 6, 2012	Cdn\$7.20
February 27, 2012	Cdn\$9.56

See "Market Prices of, and Dividends on, SilverBirch Common Shares".

### **Certain Income Tax Considerations of the Arrangement**

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

The exchange of a SilverBirch Common Share for a SilverBirch Class A Share and a SilverBirch Class B Share by a SilverBirch Shareholder who is a resident of Canada will not generally result in a capital gain or a capital loss to such SilverBirch Shareholder.

The exchange of SilverBirch Class A Shares for Cash Consideration by a SilverBirch Shareholder who is a resident of Canada will be a taxable event to such holder for the purposes of the Tax Act. Generally, such holder, who holds SilverBirch Class A Shares as capital property, will realize a capital gain (or capital loss) equal to the amount by which the Cash Consideration received, net of any reasonable costs of disposition, exceeds (or is exceeded by) the adjusted cost base to such holder of such SilverBirch Class A Shares.

The exchange of SilverBirch Class B Shares for SilverWillow Shares by a SilverBirch Shareholder who is a resident of Canada will, unless the SilverBirch Shareholder chooses to recognize a capital gain or capital loss on the exchange, generally result in neither a capital gain nor a capital loss in respect of the exchange.

SilverBirch Shareholders that are Non-Residents will generally not be subject to tax in Canada in respect of the exchange of their SilverBirch Common Shares for Cash Consideration and SilverWillow Shares unless such SilverBirch Common Shares constitute "taxable Canadian property" for purposes of the Tax Act.

This Information Circular contains a general summary of the principal Canadian federal income tax considerations relevant to SilverBirch Shareholders and which relate to the Arrangement, and the above comments are qualified in their entirety by reference to such summary. See "Tax Considerations to SilverBirch Shareholders – Certain Canadian Federal Income Tax Considerations".

**SilverBirch Shareholders should consult their own tax advisors as to the tax consequences to them of the Arrangement and the holding of SilverWillow Shares.**

#### ***United States Federal Income Tax Considerations***

The Arrangement will be treated as a taxable exchange for U.S. federal income tax purposes. U.S. Holders who surrender SilverBirch Common Shares pursuant to the Arrangement will generally recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between (a) the fair market value of the SilverWillow Shares and the amount of cash received and (b) the U.S. Holder's adjusted tax basis in the SilverBirch Common Shares surrendered. As discussed below, however, if SilverBirch was a PFIC at any time during a U.S. Holder's holding period for the shares, the U.S. tax treatment of the Arrangement will be different and generally adverse. SilverBirch believes it has been a PFIC for each year of its existence.

**This Information Circular contains a summary of certain material anticipated U.S. federal income tax considerations with respect to the Arrangement that are relevant to U.S. Holders, and the above comments are qualified in their entirety by reference to such summary.** SilverBirch Shareholders are strongly advised to review the summary contained under "Tax Considerations to SilverBirch Shareholders – Certain United States Federal Income Tax Considerations" in this Information Circular and to consult their own tax advisors for advice with respect to their own particular circumstances.

## Other Matter of Special Business relating to SilverWillow

### *SilverWillow Stock Option Plan*

At the Meeting, SilverBirch Shareholders will be asked to consider and, if deemed advisable, ratify and approve the adoption by SilverWillow of the SilverWillow Stock Option Plan which will authorize the SilverWillow Board of Directors to issue stock options to directors, executive officers, employees and consultants of SilverWillow and its subsidiaries. To be adopted, the ordinary resolution must be approved by a simple majority of votes cast at the Meeting by SilverBirch Shareholders. Shareholder approval of the SilverWillow Stock Option Plan will be required by the TSX-V. In the event that the SilverWillow Stock Option Plan is not approved at the Meeting, it is expected that SilverWillow would consider the provision of comparable compensation to its directors, executive officers, employees and consultants in the form of cash or other appropriate arrangements. A copy of the SilverWillow Stock Option Plan is set out in Appendix H to this Information Circular. See "Other Matter of Special Business Relating to SilverWillow – Approval of SilverWillow Stock Option Plan".

### Selected Pro Forma Financial Information of SilverWillow and Financial Information of SilverBirch

Set forth below is a summary of certain selected unaudited pro forma financial information with respect to SilverWillow as at September 30, 2011 after giving effect to the proposed Arrangement and certain audited financial information respecting the exploration and evaluation assets and property and equipment comprised in the Spin-Off Assets of SilverBirch as at September 30, 2011. The following information should be read in conjunction with the unaudited pro forma statement of financial position of SilverWillow as at September 30, 2011, attached as Schedule C to Appendix G – Information Concerning SilverWillow to this Information Circular, and the audited schedule of exploration and evaluation assets and property and equipment comprised in the Spin-Off Assets of SilverBirch as at September 30, 2011, together with the auditors' report thereon, attached as Schedule B to Appendix G – Information Concerning SilverWillow to this Information Circular. **The pro forma adjustments are based upon the assumptions described in the notes to the unaudited pro forma statement of financial position of SilverWillow, including that the SilverBirch Shareholders approve the Arrangement Resolution at the Meeting and the Arrangement is completed. The unaudited pro forma statement of financial position is presented for illustrative purposes only and is not necessarily indicative of the financial position that would have resulted had the Arrangement actually occurred at the time contemplated by the notes to the unaudited pro forma statement of financial position or of the results or financial position expected in future periods or as of any future date.** See "Forward-Looking Statements" and "Selected Pro Forma Financial Information of SilverWillow and Financial Information of SilverBirch".

	Pro Forma SilverWillow As at September 30, 2011 (Cdn\$000's)
Total assets <sup>(1)(2)(3)</sup>	99,265
Total liabilities	10,000

#### Notes:

- (1) As noted in Appendix G – Information Concerning SilverWillow – "Available Funds and Principal Purposes" and included as part of total assets above, SilverWillow is expected to have opening working capital of approximately Cdn\$23 million comprising cash of approximately Cdn\$33 million and accounts payable of approximately Cdn\$10 million which is expected to be sufficient to fund approximately 12 months of exploration and evaluation activities on the Audet Lands and the Birch Mountain Lands and general and administrative expenses of SilverWillow.
- (2) The exploration and evaluation assets of Cdn\$53.6 million related to the Spin-Off Assets of SilverBirch include, among other things, costs incurred with respect to land and licence acquisition, exploratory drilling, sampling and supporting lab work, geological and geophysical studies, office furnishings, leasehold improvements, computer equipment and software. See Schedule B – Audited Schedule of Exploration and Evaluation Assets and Property and Equipment Comprised in the Spin-Off Assets of SilverBirch as at September 30, 2011, attached to Appendix G – Information Concerning SilverWillow.
- (3) Total assets have been adjusted to reflect Teck's 50 percent interest in the Birch Mountain Lands and the Jordan Lands, which will be transferred to SilverBirch under the Arrangement and included in the Spin-Off Assets transferred to SilverWillow.

#### Risk Factors

If the Arrangement is approved at the Meeting, SilverBirch Shareholders (other than Dissenting SilverBirch Shareholders) will receive, in addition to cash, SilverWillow Shares. Accordingly, a former SilverBirch Shareholder will become a shareholder of SilverWillow and will be subject to all of the risks associated with the business and operations of SilverWillow and the industry in which such corporation will operate. Those risks include the factors affecting forward-

looking statements, described in this Information Circular, including the risk factors set forth under the headings "Forward-Looking Statements" and "Risk Factors" in this Information Circular and the risk factors relating to SilverWillow set forth in Appendix G – Information Concerning SilverWillow, under the headings "Forward-Looking Statements" and "Risk Factors".

In assessing the Arrangement, SilverBirch Shareholders should carefully consider the risks described in the SilverBirch AIF, together with other information contained or incorporated by reference in this Information Circular, including the disclosure relating to SilverWillow set forth in Appendix G – Information Concerning SilverWillow and under the headings "Forward-Looking Statements" and "Risk Factors". Additional risks and uncertainties, including those currently unknown to or considered immaterial by SilverBirch may also adversely affect the business of SilverBirch and SilverWillow going forward.

Some of these risks include that the Arrangement Agreement may be terminated in certain circumstances, in which case the market price for SilverBirch Common Shares may be adversely affected, that the closing of the Arrangement is conditional on, among other things, the receipt of all Regulatory Approvals, which could delay completion of the Arrangement, that SilverWillow may fail to become listed on the TSX-V, that the working capital of SilverWillow may be materially different than estimated, that a successful claim against SilverWillow in respect of its indemnity obligation to SilverBirch pursuant to the Transfer Agreement may have a material adverse effect on the financial position of SilverWillow, and that under U.S. federal tax rules, SilverWillow may be classified as a PFIC, which would result in special and generally unfavourable U.S. federal tax consequences to U.S. Holders.

## GLOSSARY OF TERMS

Unless the context otherwise requires, when used in this Information Circular the following terms shall have the meanings set forth below. Further, capitalized terms used herein that are not defined in this Information Circular have the meanings given to them in the Arrangement Agreement, a copy of which is attached hereto as Appendix C.

**"Acquisition Proposal"** means, other than the Arrangement and the transactions contemplated by the Arrangement Agreement, any offer, proposal or inquiry (written or oral) from any person or group of persons other than the Purchaser (or any affiliate of the Purchaser) after the date of the Arrangement Agreement relating to (a) any sale or disposition (or any lease, long-term supply agreement or other arrangement having the same economic effect as a sale), direct or indirect, of assets representing all or a material portion of the Spin-Off Assets or representing 20 percent or more of the consolidated assets of SilverBirch or contributing 20 percent or more of the consolidated revenue of SilverBirch, or of 20 percent or more of the voting or equity securities of SilverBirch or any of its subsidiaries (or rights or interests in such voting or equity securities) (b) any take-over bid, exchange offer or other transaction that, if consummated, would result in such person or group of persons beneficially owning 20 percent or more of any class of voting or equity securities of SilverBirch or any of its subsidiaries (c) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or winding up involving SilverBirch or any of its subsidiaries or (d) any other similar transaction or series of transactions involving SilverBirch and/or any of its subsidiaries;

**"affiliate"** has the meaning ascribed thereto in the Securities Act;

**"Arrangement"** means an arrangement under Section 192 of the CBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the terms of the Arrangement Agreement, the Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of SilverBirch and the Purchaser, each acting reasonably;

**"Arrangement Agreement"** means the agreement dated January 8, 2012 among Teck, the Purchaser and SilverBirch with respect to the Arrangement, together with all amendments thereto, in the form attached to this Information Circular as Appendix C;

**"Arrangement Resolution"** means the special resolution of SilverBirch Shareholders in respect of the Arrangement to be considered at the Meeting in the form attached to this Information Circular as Appendix A;

**"Articles of Arrangement"** means the articles of arrangement in respect of the Arrangement required under Subsection 192(6) of the CBCA to be filed with the Director after the Final Order has been granted;

**"Assumed Liabilities"** has the meaning ascribed under the heading "The Arrangement – The Transfer Agreement – Assumed Liabilities";

**"Athabasca Oil Sands Area"** means the oil sands area defined by the ERCB and published in their June 2011 report entitled "ST98 2011: Alberta's Reserves 2010 and Supply/Demand Outlook 2011-2020";

**"Audet Lands"** means the lands associated with Alberta Oil Sands Lease Numbers 418 and 271;

**"Beneficial SilverBirch Shareholder"** means SilverBirch Shareholders who hold their SilverBirch Common Shares through an intermediary such as a bank, trust company, securities broker or trustee or who otherwise do not hold their SilverBirch Common Shares in their own name;

**"Birch Mountain Lands"** means the lands associated with Alberta Oil Sands Lease Numbers 469, 471, 513, 514, 611, 614, 615, 915 and 003;

**"bitumen"** means a heavy viscous crude oil;

**"business day"** means any day, other than a Saturday, a Sunday and a statutory holiday in Calgary, Alberta, or Vancouver, British Columbia;

"**Canadian GAAP**" means Canadian generally accepted accounting principles in effect and applicable to SilverBirch or SilverWillow at the relevant time being: (i) for all periods ending on or before December 31, 2010, generally accepted accounting principles determined with reference to Part V of the Handbook of the Canadian Institute of Chartered Accountants, as amended from time to time, and (ii) for all periods beginning on or after January 1, 2011, International Financial Reporting Standards, the accounting standards and interpretations applicable to publicly accountable enterprises adopted by the International Accounting Standards Board, as amended from time to time;

"**Cash Consideration**" means Cdn\$8.50 in cash per SilverBirch Common Share to be received by a SilverBirch Shareholder (other than a Dissenting SilverBirch Shareholder) under the Arrangement;

"**CBCA**" means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 and the regulations thereto, as now in effect and as it may be amended from time to time prior to the Effective Time;

"**Certificate of Arrangement**" means the certificate of arrangement to be issued by the Director pursuant to Subsection 192(7) of the CBCA in respect of the Articles of Arrangement and giving effect to the Arrangement;

"**Change of Control Agreement**" has the meaning ascribed under the heading in "The Arrangement – Interests of Certain Persons in the Arrangement";

"**Closing Date**" means the second business day after the satisfaction or waiver (subject to applicable Laws) of the conditions (excluding conditions that, by their terms, cannot be satisfied until the Closing Date, but subject to the satisfaction or, where permitted, waiver of those conditions as of the Closing Date) set forth in the Arrangement Agreement, unless another time or date is agreed to in writing by the Parties;

"**COGEH**" means the Canadian Oil and Gas Evaluation Handbook which is published by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Petroleum Society of Canada;

"**Commissioner of Competition**" means the Commissioner of Competition appointed pursuant to the Competition Act or a person designated or authorized pursuant to the Competition Act to exercise the powers and perform the duties of the Commissioner of Competition;

"**Competition Act**" means the *Competition Act*, R.S.C. 1985, c. C-34;

"**Competition Tribunal**" means the Competition Tribunal established under the *Competition Tribunal Act*, R.S.C. 1985, c.19 (2<sup>nd</sup> Supp.);

"**contingent resources**" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies, as defined in COGEH;

"**Contributed Amount**" means \$25,000,000, less the amount of the Frontier Costs immediately prior to the Effective Date and less the principal amount outstanding under the Loan immediately prior to the Effective Date;

"**Court**" means the Court of Queen's Bench of Alberta;

"**Credit Facilities**" means the credit facilities of SilverBirch with The Toronto-Dominion Bank and with the Royal Bank of Canada, each dated March 9, 2011, and each providing for a revolving secured credit facility in the maximum amount of \$5 million;

"**DBIIP**" or "**discovered bitumen initially-in-place**" (equivalent to discovered resources) is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of DBIIP includes production, reserves and contingent resources, while the remainder is unrecoverable;

"**Deferred Plan**" means a DPSP, RESP, RRIF, RRRSP, RDSP or TFSA;

"**Depository**" means Equity Financial Trust Company;



"**Director**" means the Director appointed under Section 260 of the CBCA;

"**Dissent Rights**" means the rights of dissent in respect of the Arrangement as described in the Plan of Arrangement;

"**Dissenting SilverBirch Shareholders**" means registered SilverBirch Shareholders who validly exercise the rights of dissent pursuant to the procedure set out in Section 190 of the CBCA, as modified by the Interim Order or the Final Order;

"**DPSP**" means a trust governed by a deferred profit sharing plan under the Tax Act;

"**Effective Date**" means the effective date of the Arrangement, being the date shown on the Certificate of Arrangement;

"**Effective Time**" has the meaning ascribed thereto in the Plan of Arrangement;

"**Environment**" means the natural environment (including soil, land surface or subsurface strata), surface waters, groundwater, sediment, ambient air (including all layers of the atmosphere), organic and inorganic matter and living organisms, and any other environmental medium or natural resource and all sewer systems;

"**Environmental and Reclamation Liabilities**" has the meaning ascribed thereto in the Transfer Agreement;

"**Environmental Laws**" means all applicable Laws relating to public health and safety, noise control, pollution or the protection of the Environment or to the generation, production, installation, use, storage, treatment, transportation, Release or threatened Release of Hazardous Substances, including civil responsibility for acts or omissions with respect to the Environment, and all Permits issued pursuant to such Laws;

"**Environmental Protection and Enhancement Act**" means the *Environmental Protection and Enhancement Act*, R.S.A. 2000, c. E-12;

"**Equinox Project**" means the possible commercial oil sands mining project associated with the development of that portion of the Athabasca Oil Sands Area identified by Alberta Oil Sands Lease 14;

"**ERCB**" means the Alberta Energy Resources Conservation Board, formerly known as Alberta Energy and Utility Board;

"**Exchange**" means either of the Toronto Stock Exchange or TSX-V, as the context requires;

"**Excluded Liabilities**" has the meaning ascribed under the heading "The Arrangement – The Transfer Agreement – Assumed Liabilities";

"**Fairness Opinions**" mean the opinions from each of RBC Capital Markets and TD Securities to the SilverBirch Board of Directors as to the fairness, from a financial point of view to the SilverBirch Shareholders other than Teck, of the consideration to be received by SilverBirch Shareholders under the Arrangement;

"**Final Order**" means the final order of the Court approving the Arrangement pursuant to Subsection 192(4) of the CBCA, in a form acceptable to SilverBirch and the Purchaser, each acting reasonably, as such order may be amended by the Court (with the consent of both SilverBirch and the Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both SilverBirch and the Purchaser, each acting reasonably) on appeal;

"**Financial Advisors**" means, collectively, RBC Capital Markets and TD Securities;

"**Frontier Costs**" has the meaning ascribed thereto in the Arrangement Agreement;

"**Frontier Partnership**" means Frontier Energy Partnership, a general partnership to be formed under the laws of Alberta by SilverBirch and PartnerCo pursuant to and in accordance with Section 5.2 of the Arrangement Agreement;

**"Frontier Partnership Contribution Agreement"** means an agreement in the form approved by the Purchaser to be entered into between SilverBirch, PartnerCo and Frontier Partnership dated as of the Effective Date, pursuant to which, among other things, the Retained Assets will be transferred to Frontier Partnership pursuant to the Arrangement;

**"Frontier Project"** means the possible commercial oil sands mining project associated with the development of that portion of the Athabasca Oil Sands Area identified by Alberta Oil Sands Lease Numbers 311, 468, 470, 477, 610 and 840;

**"Governmental Entity"** means (i) any multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, ministry, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau or agency, domestic or foreign, (ii) any subdivision, agent or authority of any of the foregoing, (iii) any quasi-governmental or private body, including any tribunal, commission, regulatory agency or self-regulatory organization, exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing or (iv) any stock exchange;

**"Hazardous Substances"** means any element, waste or other substance whether natural or artificial and whether consisting of gas, liquid, solid or vapour that is prohibited, listed, defined, designated or classified as dangerous, hazardous, radioactive, explosive or toxic or a pollutant or a contaminant under or pursuant to any applicable Environmental Laws, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor and asbestos or asbestos-containing materials or any substance which is deemed under Environmental Laws to be deleterious to natural resources or worker or public health and safety;

**"in situ"** means in its original position or place. Specifically related to the oil sands, *in situ* refers to recovery techniques which apply heat or solvents to bitumen reservoirs within the earth's crust. There are several varieties of *in situ* techniques, but the most common in the oil sands are the application of heat in the form of steam. Currently, the most efficient type of *in situ* bitumen production is referred to as steam assisted gravity drainage, a production technique which is becoming more prevalent in the Alberta oil sands;

**"Independent Committee"** means the committee of the SilverBirch Board of Directors comprised of Bonnie D. DuPont and Glen D. Roane, each of whom is "independent" within the meaning of MI 61-101;

**"Ineligible Property"** means the Transferred Working Capital and Seismic Data;

**"Information Circular"** means this information circular of SilverBirch, together with all appendices hereto and the accompanying Notice of Special Meeting of Shareholders, to be mailed or otherwise distributed by SilverBirch to the SilverBirch Shareholders or such other securityholders of SilverBirch as may be required pursuant to the Interim Order in connection with the Meeting;

**"Interim Order"** means the interim order of the Court as set forth in Appendix B to this Information Circular concerning the Arrangement and providing for, among other things, the calling and holding of the Meeting, as the same may be amended with the consent of SilverBirch and the Purchaser, each acting reasonably, and with the approval of the Court;

**"Jordan Lands"** means the lands associated with Alberta Oil Sands Lease Numbers 422 and 423;

**"Law" or "Laws"** means all laws (including common law), by-laws, statutes, rules, regulations, principles of law and equity, orders, rulings, ordinances, judgments, injunctions, determinations, awards, decrees or other requirements, whether domestic or foreign, and the terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity or self-regulatory authority (including the Exchange), and the term "**applicable**" with respect to such Laws (including Environmental Laws) and in a context that refers to one or more Parties, means such Laws as are applicable to such Party or its business, undertaking, property or securities and emanate from a person having jurisdiction over the Party or Parties or its or their business, undertaking, property or securities;

**"Lease Agreement"** means an Oil Sands Lease Agreement with Alberta Energy conveying the rights to the oil sands minerals within a specific geographical boundary and containing terms and conditions relating the retention of the mineral rights;

**"Legal Counsel"** means SilverBirch's legal advisor, Blake, Cassels & Graydon LLP;

**"Letter of Transmittal"** means the letter of transmittal accompanying this Information Circular sent to SilverBirch Shareholders in respect of the exchange of their SilverBirch Common Shares;

**"Liens"** means any mortgage, hypothec, prior claim, lien, pledge, assignment for security, security interest, right of third parties or other charge, encumbrance or any collateral securing the payment obligations of any person, as well as any other agreement or arrangement with similar effect whatsoever;

**"Loan"** means a senior secured loan in the principal amount of up to \$20 million to be made available by the Purchaser to SilverBirch as contemplated by the Arrangement Agreement;

**"Loan Agreement"** means the agreement between the Purchaser and SilverBirch setting out the terms of the Loan substantially in the form attached as Schedule E to the Arrangement Agreement;

**"Lock-Up Agreement"** means the lock-up agreements, effective January 8, 2012, between Teck, the Purchaser and the Locked-Up Directors and Officers as well as the Major Shareholders, pursuant to which the Locked-Up Directors and Officers as well as the Major Shareholders have agreed, among other things, to vote in favour of the Arrangement Resolution;

**"Locked-Up Directors and Officers"** means, collectively Gregory A. Boland, Bonnie D. DuPont, Donald R. Ingram, Douglas H. Mitchell, Howard J. Lutley, Glen D. Roane, William Watson, Wayne I. Bobye, Jina D. Abells Morissette, Philip M. Aldred, J. Cameron Bateman and Susan J. Pain;

**"Major Shareholders"** means collectively, West Face Capital Inc. and The Children's Investment Fund Management (UK) LLP and **"Major Shareholder"** means either of them;

**"Material Adverse Effect"** means any change, event, occurrence, effect or circumstance that is, or could reasonably be expected to, (a) be material and adverse to the business, operations, results of operations, assets, properties, capitalization, financial condition, licenses, permits, leases, concessions, rights, liabilities (contingent or otherwise), prospects or privileges (whether contractual or otherwise) of SilverBirch and its subsidiaries, taken as a whole (but excluding SilverWillow and the Spin-Off Assets); or (b) materially impair or delay the consummation of the transactions contemplated by the Arrangement Agreement by SilverBirch beyond the Outside Date or materially impair or delay the ability of SilverBirch to perform its obligations thereunder, but **"Material Adverse Effect"** shall not include any change, event, occurrence, effect or circumstance resulting from: (i) a matter that has been publicly disclosed prior to the date of the Arrangement Agreement or otherwise disclosed in writing by SilverBirch to the Purchaser prior to the date thereof, (ii) conditions affecting the oil and gas industry or oil sands industry generally; (iii) general economic, financial, currency exchange, securities or commodity market conditions in North America including, without limitation, changes in currency exchange rates or interest rates, (iv) changes in the market price of crude oil, bitumen or natural gas, (v) any adverse effect disclosed to and approved in writing by the Purchaser, or (vi) any adverse effect arising from the public announcement of the Arrangement; provided however, that with respect to subclauses (ii) and (iii), such matter does not have a materially disproportionate effect on SilverBirch and its subsidiaries, taken as a whole, relative to other companies and entities at the same stage of development operating in the industry in which SilverBirch operates; and provided further that for greater certainty a **"Material Adverse Effect"** shall not include any change, event, occurrence, effect or circumstance that is only material and adverse to SilverWillow and the Spin-Off Assets and that is not also material and adverse to SilverBirch based on its effect on the Retained Assets;

**"Meeting"** means the special meeting of SilverBirch Shareholders to be held at 2:30 p.m. (Calgary time) on Thursday, March 29, 2012 in the McMurray Room at the Calgary Petroleum Club, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta, to consider, among other things the Arrangement Resolution, and any adjournment(s) or postponement(s) thereof held in accordance with the Arrangement Agreement and the Interim Order;

**"MI 61-101"** means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

**"mineable oil sands"** means oil sand that can be recovered by mining;

**"NI 51-101"** means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*;

"**Non-Resident**" means: (i) a person who is not a Resident; or (ii) a partnership that is not a "Canadian partnership" for the purposes of the Tax Act;

"**oil sands**" means sands and other mineral material containing crude bitumen;

"**Oil Sands Conservation Act**" means the *Oil Sands Conservation Act*, R.S.A. 2000, c. O-7;

"**Other Exploration Lands**" includes the Jordan Lands and the lands associated with Alberta Oil Sands Lease Numbers 042, 043 and 044;

"**Outside Date**" means May 31, 2012, or such later date as may be agreed to in writing by the Parties, provided that if the Effective Date has not occurred by May 31, 2012 as a result of the failure to obtain all of the Regulatory Approvals, then any Party (provided that such Party is not then in material breach of its obligations under the Arrangement Agreement) shall have the right to elect by notice in writing delivered prior to the Outside Date to extend such date from time to time by a specified period of not less than five (5) business days, provided that in aggregate such extensions shall not exceed thirty (30) calendar days;

"**Parties**" means, collectively, Teck, the Purchaser and SilverBirch, and "**Party**" means any one of them;

"**PartnerCo**" means a new company to be incorporated by SilverBirch under the CBCA for purposes of becoming a partner in Frontier Partnership;

"**Partnership Assets**" means all of the direct and indirect interests of SilverBirch in Frontier Partnership and PartnerCo and all assets and rights relating thereto, including all interests held by SilverBirch in Frontier Partnership, all shares of PartnerCo held by SilverBirch, all assets held by Frontier Partnership and the partnership agreement among SilverBirch and PartnerCo establishing Frontier Partnership;

"**Permit**" means any license, permit, certificate, franchise, consent, order, grant, easement, covenant, approval, classification, registration or other authorization of and from any person, including any Governmental Entity;

"**person**" includes an individual, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, association, body corporate, unincorporated organization, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;

"**PFIC**" means a "passive foreign investment company";

"**Plan of Arrangement**" means the plan of arrangement substantially in the form attached as Appendix D to this Information Circular and any amendments or variations thereto made in accordance with the provisions of the Arrangement Agreement, the Plan of Arrangement or made at the direction of the Court with the consent of SilverBirch and the Purchaser, each acting reasonably;

"**Pre-Acquisition Reorganization**" has the meaning ascribed thereto in the Arrangement Agreement;

"**Pre-Closing Taxes**" has the meaning ascribed thereto in the Transfer Agreement;

"**Proprietary Information**" means: (a) all reports and summaries, documents and other related materials in respect to the valuation of the Retained Projects; (b) all processes developed and undertaken by SilverBirch or any of its representatives with respect to exploration, development and operations of the Retained Projects; (c) all proprietary processes, procedures, methods and strategies pertaining to the Retained Projects; (d) all intellectual property rights (including trade secrets and other rights in know-how) in respect of the Retained Projects; and (e) all confidential or proprietary information in respect of the Retained Projects developed by SilverBirch or any of its representatives or in SilverWillow's possession;

"**Purchaser**" means 8071667 Canada Inc., a wholly-owned subsidiary of Teck formed under the CBCA;

"**RBC Capital Markets**" means RBC Dominion Securities Inc., a member company of RBC Capital Markets;

"**RDSP**" means a trust governed by a registered disability savings plan under the Tax Act;

"**Regulation S**" means Regulation S promulgated under the U.S. Securities Act;

"**Regulatory Approvals**" means (i) those sanctions, rulings, consents, orders, exemptions, permits and other approvals (including the lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of Governmental Entities set forth in Schedule "C" to the Arrangement Agreement, and (ii) such other sanctions, rulings, consents, orders, exemptions, permits and other approvals (including the lapse, without objection, of a prescribed time under any Law that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of Governmental Entities required to consummate the Plan of Arrangement, except, in the case of (ii) only, for those sanctions, rulings, consents, orders, exemptions, permits and other approvals, the failure of which to obtain individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect and for greater certainty, except, in the case of (i) and (ii), for such sanctions, rulings, consents, orders, exemptions, permits and other approvals required solely in connection with any Pre-Acquisition Reorganization;

"**Release**" has the meaning prescribed in any Environmental Law and includes any sudden, intermittent or gradual release, spill, leak, pumping, addition, pouring, emission, emptying, discharge, migration, injection, escape, leaching, disposal, dumping, deposit, spraying, burial, abandonment, incineration, seepage, placement or introduction of a Hazardous Substance, whether accidental or intentional, into the Environment;

"**Required Vote**" means approval of the Arrangement Resolution by (i) 66 $\frac{2}{3}$  percent of the votes cast on the Arrangement Resolution by the SilverBirch Shareholders, and (ii) a majority of the votes cast on the Arrangement Resolution by SilverBirch Shareholders other than those required to be excluded in determining such approval pursuant to MI 61-101, in each case present in person or represented by proxy at the Meeting;

"**Reserves**" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on: (i) analysis of drilling, geological, geophysical, and engineering data; (ii) the use of established technology; and (iii) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates;

"**Resident**" means a person who is resident in Canada for purposes of the Tax Act;

"**Retained Cash**" means cash in an amount equal to the reasonably estimated amount of the Pre-Closing Taxes, calculated in accordance with Section 5.3 of the Arrangement Agreement;

"**Retained Assets**" means, collectively, (i) the Retained Projects, (ii) the Retained Cash, and (iii) all Proprietary Information, and includes, from and after the Effective Time and the direct and indirect transfer of the foregoing assets to Frontier Partnership pursuant to the Arrangement, the Partnership Assets;

"**Retained Leases**" has the meaning ascribed thereto in the Transfer Agreement;

"**Retained Projects**" has the meaning ascribed thereto in the Transfer Agreement;

"**RESP**" means a trust governed by a registered education savings plan under the Tax Act;

"**RRIF**" means a trust governed by a registered retirement income fund under the Tax Act;

"**RRSP**" means a trust governed by a registered retirement savings plan under the Tax Act;

"**SCO**" means crude oil produced by upgrading bitumen to a mixture of hydrocarbons similar to light crude oil produced either by the removal of carbon (coking) or the addition of hydrogen through hydrotreating. It is considered synthetic because its original composition mark has been altered in the upgrading process;

"**Securities Act**" means the *Securities Act*, R.S.A. 2000, c. S-4 and the rules, regulations and published policies made thereunder, as now in effect and as they may be promulgated or amended from time to time;

"**Securities Authorities**" means the Exchange and the securities commissions and other securities regulatory authorities in each of the provinces and territories of Canada;

"**Securities Laws**" means the Securities Act, all other applicable Canadian securities laws, rules and regulations and published policies thereunder;

"**Seismic Data**" has the meaning ascribed thereto in the Transfer Agreement;

"**Shareholder Rights Plan**" means the shareholder rights plan of SilverBirch dated as of September 30, 2010 between SilverBirch and Equity Financial Trust Company, as rights agent;

"**Shell**" means Shell Canada Limited;

"**SilverBirch**" means SilverBirch Energy Corporation;

"**SilverBirch AIF**" means the annual information form of SilverBirch dated April 15, 2011;

"**SilverBirch Board of Directors**" means the board of directors of SilverBirch as it may be comprised from time to time;

"**SilverBirch Class A Shares**" means the Class A Shares in the capital of SilverBirch, which will be created and issued, along with the SilverBirch Class B Shares, in accordance with the Plan of Arrangement to holders of SilverBirch Common Shares in exchange for such SilverBirch Common Shares;

"**SilverBirch Class B Shares**" means the Class B Shares in the capital of SilverBirch, which will be created and issued, along with the SilverBirch Class A Shares, in accordance with the Plan of Arrangement to holders of SilverBirch Common Shares in exchange for such SilverBirch Common Shares;

"**SilverBirch Common Shares**" means the common shares of SilverBirch;

"**SilverBirch Employees**" means all employees of SilverBirch;

"**SilverBirch Option Plan**" means the incentive share option plan of SilverBirch as amended from time to time;

"**SilverBirch Options**" means the share purchase options of SilverBirch granted under the SilverBirch Option Plan;

"**SilverBirch Preferred Share, Series 2**" has the same meaning as ascribed to the term "Company Preferred Share, Series 2" in the Plan of Arrangement;

"**SilverBirch Preferred Share, Series 3**" has the same meaning as ascribed to the term "Company Preferred Share, Series 3" in the Plan of Arrangement;

"**SilverBirch Shareholders**" means the holders of the SilverBirch Common Shares;

"**SilverWillow**" means SilverWillow Energy Corporation, a wholly-owned subsidiary of SilverBirch incorporated under the CBCA on January 5, 2012;

"**SilverWillow Board of Directors**" means the board of directors of SilverWillow as it may be comprised from time to time;

"**SilverWillow Preferred Share**" means a Series B preferred share in the capital of SilverWillow;

"**SilverWillow Promissory Note**" means the demand non-interest bearing promissory note of SilverWillow issued pursuant to the Plan of Arrangement;

"**SilverWillow Redemption Amount**" means the aggregate redemption amount of the SilverWillow Preferred Shares as determined in accordance with the Transfer Agreement;

"**SilverWillow Shares**" means the common shares in the capital of SilverWillow;

"**SilverWillow Share Consideration**" means one SilverWillow Share per SilverBirch Common Share to be received pursuant to the Plan of Arrangement by the holders of SilverBirch Common Shares who are Non-Residents;

"**SilverWillow Stock Option Plan**" means the stock option plan of SilverWillow providing for the issuance of up to ten percent of the SilverWillow Shares issued and outstanding from time to time, substantially in the form attached to this Information Circular as Appendix H;

"**Special Committee**" means the special committee of the SilverBirch Board of Directors comprised of Donald R. Ingram, Gregory A. Boland, Martin R. Frass-Ehrfeld, Glen D. Roane and Howard J. Lutley;

"**Spin-Off**" means the transfer of the Spin-Off Assets to SilverWillow and the distribution of the SilverWillow Shares to the SilverBirch Shareholders;

"**Spin-Off Assets**" has the meaning ascribed thereto in the Transfer Agreement;

"**Spin-Off Lands**" has the meaning ascribed thereto in the Transfer Agreement;

"**Spin-Off Leases**" has the meaning ascribed thereto in the Transfer Agreement;

"**Sproule**" means Sproule Unconventional Limited;

"**Sproule Audet Report**" means the report dated October 11, 2011 titled "Estimation of the Bitumen-In-Place Volumes of SilverBirch Energy Corporation in the Audet Area, Alberta" providing Sproule's independent evaluation of discovered bitumen initially-in-place effective September 30, 2011;

"**Sproule Audet Technical Review**" means the report dated February 28, 2012 titled "Technical Review of the Audet Lands in the Athabasca Oil Sands Region of Alberta for SilverBirch Energy Corporation and SilverWillow Energy Corporation" effective September 30, 2011;

"**Sproule Report**" means the report dated February 3, 2011 titled "Contingent Bitumen Resource Estimates for the Frontier and Equinox Oil Sands Mining Projects" providing Sproule's independent opinion of SilverBirch's resources data effective December 31, 2010;

"**subsidiary**" means, with respect to a specified person, any person of which at least 50 percent of the voting power ordinarily entitled to elect a majority of the board of directors thereof (whether or not shares of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by such specified person and shall include any person over which such specified person exercises direction or control or which is in a like relation to a subsidiary;

"**Superior Proposal**" means an unsolicited bona fide written Acquisition Proposal, (i) that did not result from a breach of the Arrangement Agreement or any agreement between the person making such Acquisition Proposal and SilverBirch; (ii) that complies with all Securities Laws; (iii) that is not subject to a financing condition and in respect of which any required financing to complete such Acquisition Proposal has been demonstrated to the satisfaction of the SilverBirch Board of Directors, acting in good faith (after receipt of advice from its financial advisors and outside legal counsel) has been obtained or is reasonably likely to be obtained; (iv) is not subject to a due diligence and/or access condition that would allow greater access to the books, records or personnel of SilverBirch or its subsidiaries than was made available to the Purchaser prior to the date of the Arrangement Agreement, which access and/or condition shall not continue beyond the fourth calendar day after the day on which access is first afforded to the person making the Acquisition Proposal (such period referred to herein as the "**Due Diligence Period**") and provided the foregoing shall not restrict the ability of such third party to continue to review information provided to it by SilverBirch during such Due Diligence Period; (v) that the SilverBirch Board of Directors and any relevant committee thereof has determined in good faith (after receipt of advice from the financial advisors and its outside legal counsel) is reasonably capable of completion without undue delay taking into account all legal, financial, regulatory (including all Regulatory Approvals identified in Schedule C to the Arrangement Agreement, to the extent applicable) and other aspects of such Acquisition Proposal and the person making such Acquisition Proposal; and (vi) in respect of which the SilverBirch Board of Directors and any relevant committee thereof

determines in good faith (after receipt of advice from the financial advisors with respect to (y) below and outside legal counsel with respect to (x) below) that (x) failure to recommend such Acquisition Proposal to SilverBirch Shareholders would be a breach of its fiduciary duties and (y) that such Acquisition Proposal would, if consummated in accordance with its terms (but not assuming away any risk of non-completion), reasonably be expected to result in a transaction more favourable to SilverBirch Shareholders from a financial point of view than the Arrangement and provides for consideration per SilverBirch Common Share that has a value that is greater than the aggregate consideration per SilverBirch Common Share provided under the terms of the Arrangement after taking into account the SilverWillow Shares (and the Spin-Off Assets), including any adjustment to the terms and conditions of the Arrangement proposed by the Purchaser pursuant to Section 7.2(7) of the Arrangement Agreement;

"**Tax Act**" means the *Income Tax Act*, R.S.C. 1985, c.1 (5<sup>th</sup> Supp.) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

"**TD Securities**" means TD Securities Inc.;

"**Teck**" means Teck Resources Limited;

"**Termination Fee**" means the amount of Cdn\$20 million;

"**TFSA**" means a trust governed by a tax free savings account for purposes of the Tax Act;

"**Total**" means Total E&P Canada Ltd.;

"**Transaction**" means the acquisition by the Purchaser of all of the issued and outstanding SilverBirch Common Shares and the Spin-Off;

"**Transaction Expenses**" means all costs, fees and expenses incurred or suffered by SilverBirch in connection with the Transaction, including but not limited to, financial advisor fees, management compensation and change of control payments, fees of outside legal counsel, auditors and technical experts, printing and mailing costs, and all other general fees, costs and expenses incurred by SilverBirch in connection with the Transaction;

"**Transfer Agreement**" means the agreement in substantially the form attached as Schedule D to the Arrangement Agreement to be entered into among SilverBirch, Frontier Partnership and SilverWillow as of the Effective Date, pursuant to which, among other things, the Spin-Off Assets will be transferred to SilverWillow, and the Assumed Liabilities will be assumed by SilverWillow pursuant to the Arrangement;

"**Transferred Leases**" means the Birch Mountain leases and Jordan leases listed in Schedule F of the Arrangement Agreement, and any miscellaneous interests of Teck directly related to such leases;

"**Transferred Working Capital**" means: (i) all of the current assets of SilverBirch as of the Effective Time (other than the Retained Cash and any other such assets that are Retained Assets), after giving effect to the contribution by the Purchaser of the Contributed Amount, less (ii) the aggregate amount of the accounts payable, deferred revenues and other current liabilities of SilverBirch as at the Effective Time, including all Transaction Expenses, and excluding the liability of SilverBirch under the Loan and the Frontier Costs, all calculated in accordance with Canadian GAAP on a basis consistent with Schedule "B" to the Transfer Agreement;

"**TSX-V**" means the TSX Venture Exchange;

"**Twin Lakes Lands**" means the lands associated with Alberta Oil Sands Lease Numbers 837, 509, 510 and 511;

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

"**U.S. Exchange Act**" means the *United States Securities Exchange Act of 1934*, as amended, and the rules, regulations and orders promulgated thereunder;

"**U.S. GAAP**" means generally accepted accounting principles as in effect in the United States;



"**U.S. Securities Act**" means the *United States Securities Act of 1933*, as amended, and the rules, regulations and orders promulgated thereunder;

"**U.S. Securities Laws**" means the federal and state securities legislation of the United States and all rules, regulations and orders promulgated thereunder, as amended from time to time;

"**UTS**" means UTS Energy Corporation;

"**UTS Arrangement**" means the arrangement under Section 192 of the CBCA on the terms and subject to the conditions set out in a plan of arrangement involving UTS, Total, the shareholders of UTS and SilverBirch;

"**Water Act**" means the *Water Act*, R.S.A. 2000, c.W-3; and

"**WTI**" means West Texas Intermediate grade crude oil at a reference sales point in Cushing, Oklahoma, a common benchmark for crude oil.

### REPORTING CURRENCIES AND ACCOUNTING PRINCIPLES

The historical consolidated financial statements of, and the summaries of historical financial information concerning, SilverBirch, SilverWillow and the Spin-Off Assets contained or incorporated by reference in this Information Circular are reported in Canadian dollars and have been prepared in accordance with Canadian GAAP.

### CANADIAN / U.S. EXCHANGE RATES

In this Information Circular, dollar amounts are expressed either in Canadian dollars (Cdn\$) or U.S. dollars (US\$). The following table sets forth, for each period indicated, the high and low exchange rates for one U.S. dollar expressed in Canadian dollars, the average of such exchange rates during such periods, and the exchange rate at the end of the period, in each case, based upon the Bank of Canada noon spot rate of exchange.

	<b>Nine Months Ended September 30, 2011</b>	<b>Year Ended December 31</b>		
		<b>2010</b>	<b>2009</b>	<b>2008</b>
High	1.0389	1.0778	1.3000	1.2969
Low	0.9449	0.9946	1.0292	0.9719
Average	0.9781	1.0299	1.1420	1.0660
Period End	1.0389	0.9946	1.0466	1.2246

On February 27, 2012, the exchange rate for one U.S. dollar expressed in Canadian dollars was Cdn\$0.9983 based upon the Bank of Canada noon spot rate of exchange.

### CONVERSIONS

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

<b><u>To Convert From</u></b>	<b><u>To</u></b>	<b><u>Multiply By</u></b>
barrel	cubic metres	0.159
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471
cubic feet	cubic metres	0.028

## THE ARRANGEMENT

### Background and Reasons for the Arrangement

#### *Background to the Arrangement*

SilverBirch was created in connection with the UTS Arrangement pursuant to which its predecessor, UTS, was acquired by Total in October 2010. Pursuant to the UTS Arrangement, certain UTS properties, including its 50 percent interest in each of the Frontier Project and the Equinox Project, were transferred to SilverBirch and each former UTS shareholder received, among other things, one SilverBirch Common Share for every ten shares of UTS held.

Both prior to and following the UTS Arrangement, Teck held the other 50 percent interest in the Frontier Project, the Equinox Project and certain other properties that were transferred from UTS to SilverBirch as part of the UTS Arrangement. While Teck and UTS had a joint venture agreement with respect to the Equinox Project (to which SilverBirch became a party following completion of the UTS Arrangement) there was no definitive joint venture or partnership agreement between SilverBirch and Teck with respect to the Frontier Project or other properties in which they each owned interests. The parties had agreed, however, that Teck would be the operator of the Frontier Project.

After completion of the transaction between UTS and Total, and the closing in December 2010 of a private placement offering of "flow-through" shares by SilverBirch for net proceeds of Cdn\$12.7 million, SilverBirch estimated that it had sufficient working capital to conduct business into early 2012.

Following completion of the UTS Arrangement, management of SilverBirch and the SilverBirch Board of Directors discussed the significant funding challenges faced by SilverBirch going forward as a full 50 percent owner of the Frontier Project including the challenges of funding its share of the required investment to develop the Frontier Project (or its share of the feasibility study work on the Frontier Project) without incurring substantial dilution of its interest in the Frontier Project. In late 2010 and early 2011 these discussions resulted in the SilverBirch Board of Directors creating an informal strategic working group comprised of Messrs. Boland, Frass-Ehrfeld, Ingram, Lutley and Roane to examine alternatives available to SilverBirch, including raising capital through either debt or equity offerings or asset sales, entering into farmout arrangements with Teck or third parties for the Frontier Project, or a sale of SilverBirch. The Financial Advisors were engaged by SilverBirch in January 2011 to advise SilverBirch with respect to possible financing or sale alternatives.

In early 2011, Teck and SilverBirch commenced negotiation of a joint venture or partnership agreement to govern the development of the Frontier Project. The strategic working group instructed management of SilverBirch that any such arrangements with Teck would have to specifically provide that SilverBirch could reduce its interest in the Frontier Project at one or more points in the development of the project. Although these negotiations continued throughout 2011, SilverBirch and Teck were not able to reach a mutually acceptable arrangement.

In the spring of 2011, representatives of SilverBirch and Teck began discussing, in a preliminary way, the possibility of a transaction whereby Teck would acquire SilverBirch's interest in the Frontier Project. No substantive proposal resulted from the discussions. During this time, the Financial Advisors were assisting SilverBirch in evaluating various financing and strategic alternatives for SilverBirch and the development of the Frontier Project. As part of this process, the Financial Advisors advised SilverBirch that they believed Teck was the most logical buyer of SilverBirch's interest in the Frontier Project. At SilverBirch's direction, the Financial Advisors contacted a number of third parties to gauge their interest in meeting with SilverBirch management to learn more about SilverBirch and its growth opportunities. There was very limited interest from these third parties in meeting with SilverBirch and, as a result, no formal meetings between SilverBirch and any other potential strategic partners took place.

In late June 2011, SilverBirch released updated cost estimates prepared by third party engineering consultants for the construction of the Frontier Project, which included a capital cost estimate of Cdn\$23 billion and an estimated first production date in 2021. The Financial Advisors advised SilverBirch that the high capital cost and long lead time to reach first production would limit the number of parties who might be interested in investing in or acquiring SilverBirch.

In October 2011, SilverBirch announced the results of the Sproule Audet Report. The Sproule Audet Report assisted SilverBirch management in further assessing the Audet Lands and considering the costs and timeline associated with advancing the development of an *in situ* oil sands project on the Audet Lands. Also in October 2011, the SilverBirch Board of Directors formalized the composition of the strategic working group and its mandate and created the Special Committee.

In the fall of 2011, as negotiations with Teck on a joint venture or partnership agreement continued, SilverBirch maintained its position that the agreement would have to specifically provide that SilverBirch could reduce its interest in the Frontier Project without penalty if it was unable to fund its share of capital cost or otherwise wished to reduce its interest in the Frontier Project.

On November 25, 2011, a regulatory application was filed with the ERCB, Alberta Environment and the Canadian Environmental Assessment Agency with respect to the Frontier Project.

In late December 2011, after a series of negotiations between SilverBirch and Teck attempting to come to terms on a potential joint venture or partnership agreement for the Frontier Project, Teck proposed a transaction on terms substantially similar to the Arrangement. On December 26, 2011, SilverBirch and Teck entered into a non-binding letter of intent outlining the proposed transaction and commenced negotiating an arrangement agreement and related documents for the transaction.

At a meeting on Sunday, January 8, 2012 the SilverBirch Board of Directors, after reviewing a draft of the Arrangement Agreement and receiving the advice of counsel and the Fairness Opinions from its Financial Advisors, unanimously determined that the proposed Arrangement was in the best interests of SilverBirch and fair to the SilverBirch Shareholders, unanimously approved entering into the Arrangement Agreement and unanimously resolved to recommend that SilverBirch Shareholders vote in favour of the proposed Arrangement.

The Parties entered into the Arrangement Agreement on Sunday, January 8, 2012 and SilverBirch and Teck announced the proposed Arrangement prior to the opening of markets on Monday, January 9, 2012.

#### ***Reasons for the Arrangement***

Following receipt of advice and assistance of the Financial Advisors and Legal Counsel, the SilverBirch Board of Directors carefully evaluated the terms of the proposed Arrangement and unanimously: (i) determined that the Arrangement is in the best interests of SilverBirch; (ii) determined that the Arrangement is fair to SilverBirch Shareholders; (iii) approved the Arrangement and the entering into of the Arrangement Agreement; and (iv) resolved to recommend that SilverBirch Shareholders vote in favour of the Arrangement. In reaching these determinations and approvals the SilverBirch Board of Directors considered, among other things, the following factors and potential benefits and risks of the Arrangement:

- (a) The SilverBirch Board of Directors concluded that the value offered to SilverBirch Shareholders under the Arrangement is more favourable than the value that might have been realized through pursuing SilverBirch's current business plan given the challenges and risks associated with executing SilverBirch's business plan, including significant uncertainty regarding the timing, cost and scope of the Frontier Project and the Equinox Project, the significant amount of additional capital that would be required and the significant uncertainty of SilverBirch's ability to fund its share of any required expenditures without incurring substantial dilution of its interest in the Frontier Project.
- (b) The cash portion alone of the total consideration offered under the Arrangement for the SilverBirch Common Shares in and of itself represented a premium of approximately 31 percent to the 20 day volume weighted average trading price of SilverBirch Common Shares on the TSX-V for the period ending on January 6, 2012 (the last trading day prior to the announcement of the transaction), which provides certainty of value as regards such portion of the consideration payable to SilverBirch Shareholders.
- (c) In addition to the Cash Consideration, a SilverBirch Shareholder will also receive one SilverWillow Share for each SilverBirch Common Share. In connection with the Arrangement, Teck will also contribute approximately Cdn\$25 million in working capital (net of certain amounts owing to Teck by SilverBirch) and as a result, SilverWillow is expected to commence operations with approximately Cdn\$23 million in net working capital.
- (d) The Financial Advisors each provided an opinion that, as of the date of their respective opinions and subject to and based upon the various assumptions, limitations and qualifications referred to in their respective opinions, the consideration to be received by SilverBirch Shareholders under the Arrangement is fair, from a financial point of view, to SilverBirch Shareholders other than Teck.

- (e) Through the receipt of SilverWillow Shares, SilverBirch Shareholders will be able to continue to participate in the ongoing development opportunities relating to the Spin-Off Assets to be held by SilverWillow upon completion of the Arrangement.
- (f) Following the Arrangement, SilverWillow will be focused on exploration, evaluation and development of the Spin-Off Assets and, in particular, the potential development of an *in situ* oil sands project on the Audet Lands, which would require lower capital commitments relative to the Frontier Project and Equinox Project.
- (g) Under the Arrangement Agreement, the SilverBirch Board of Directors retains the ability to consider and respond to Superior Proposals on the specific terms and conditions set forth in the Arrangement Agreement.

In its review of the proposed terms of the Arrangement, the SilverBirch Board of Directors also considered a number of elements of the transaction, including, the following:

- (a) the Arrangement must be approved by the Required Vote;
- (b) the Arrangement will only become effective if, after hearing from all interested persons who choose to appear before it, the Court determines that the Arrangement is fair to the SilverBirch Shareholders; and
- (c) the SilverBirch Shareholders will be granted the right to dissent with respect to the Arrangement and be paid the fair value of their SilverBirch Common Shares.

#### **Approval and Recommendation of the SilverBirch Board of Directors**

**The SilverBirch Board of Directors has unanimously determined that the Arrangement is in the best interests of SilverBirch and has, based upon, among other things, the opinions of the Financial Advisors, unanimously determined that the Arrangement is fair to SilverBirch Shareholders. Accordingly, the SilverBirch Board of Directors has unanimously approved the Arrangement and unanimously recommends that SilverBirch Shareholders vote in favour of the Arrangement Resolution.**

#### **Opinions of Financial Advisors**

In deciding to approve the Arrangement, the SilverBirch Board of Directors considered, among other things, the Fairness Opinions of the Financial Advisors. The SilverBirch Board of Directors received separate opinions from RBC Capital Markets and TD Securities that, as of the date of their respective Fairness Opinions and subject to and based on the various assumptions, limitations and qualifications referred to in their respective Fairness Opinions, the consideration to be received by SilverBirch Shareholders under the Arrangement is fair, from a financial point of view, to SilverBirch Shareholders other than Teck. The Fairness Opinions are attached to this Information Circular as Appendices E and F. **This summary is qualified in its entirety by reference to the full text of the Fairness Opinions.**

**The full text of the written Fairness Opinions of RBC Capital Markets and TD Securities, each dated effective January 8, 2012, which set forth assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken in connection with the Fairness Opinions, are attached as Appendices E and F, respectively. RBC Capital Markets and TD Securities provided their Fairness Opinions for the information and assistance of the SilverBirch Board of Directors, in connection with its consideration of the Arrangement and the Fairness Opinions may not be relied upon by any other person. The Fairness Opinions are not recommendations as to how any SilverBirch Shareholder should vote with respect to the Arrangement or any other matter.**

RBC Capital Markets and TD Securities were each engaged by SilverBirch as a financial advisor effective January 13, 2011, in each case, to provide the SilverBirch Board of Directors with various financial advisory services including, without limitation, with respect to various transaction alternatives available to SilverBirch. Each of the Financial Advisors was engaged on January 3, 2012 to provide Fairness Opinions.

In consideration of the provision of these services, SilverBirch has agreed to pay to each of the Financial Advisors certain fees and also agreed to indemnify each of the Financial Advisors against certain liabilities, including under applicable securities laws, and to reimburse each of the Financial Advisors for reasonable expenses incurred by the Financial Advisors in performing the financial advisory services.

Each Financial Advisor and other members of their respective corporate groups are also engaged in domestic and international underwriting, syndication, mergers and acquisitions, banking, trading, brokerage and swaps and derivatives activities. Each of the Financial Advisors and their respective affiliates may have in the past, provided and/or may in the future provide, banking, financial advisory and investment banking services to SilverBirch and/or Teck or any of their respective associates or affiliates.

## **Arrangement Mechanics**

### ***The Arrangement***

Holders of issued and outstanding SilverBirch Common Shares (other than SilverBirch Common Shares held by Dissenting SilverBirch Shareholders) will ultimately receive in exchange for each SilverBirch Common Share the Cash Consideration and one SilverWillow Share pursuant to a series of transactions as set out in the Plan of Arrangement, which includes the following steps:

- (a) each issued and outstanding SilverBirch Common Share held by a Non-Resident shall be transferred to the Purchaser for the Cash Consideration and the obligation of the Purchaser to deliver to such Non-Resident one SilverWillow Share (see (e) below);
- (b) the share capital of SilverBirch shall be reorganized such that each SilverBirch Common Share shall be exchanged for one SilverBirch Class A Share and one SilverBirch Class B Share;
- (c) SilverBirch Shareholders (other than Teck) will exchange each SilverBirch Class B Share with SilverWillow for one SilverWillow Share;
- (d) each SilverBirch Class A Share (other than those held by either Teck or the Purchaser) shall be transferred to the Purchaser for the Cash Consideration; and
- (e) as additional consideration for each SilverBirch Common Share held by a Non-Resident, the Purchaser shall deliver to such Non-Resident, one SilverWillow Share.

The SilverBirch Common Shares held by Dissenting SilverBirch Shareholders in respect of which Dissent Rights have been validly exercised shall be deemed to be transferred to Teck and such Dissenting SilverBirch Shareholders shall cease to have any rights as holders of SilverBirch Common Shares other than a debt claim against Teck to be paid fair value for such SilverBirch Common Shares as set out in the Plan of Arrangement.

The Arrangement will be implemented by way of a court-approved plan of arrangement under the CBCA pursuant to the terms of the Arrangement Agreement. A full description of the steps that will occur under the Plan of Arrangement is set forth under the heading "The Arrangement – Arrangement Mechanics – Arrangement Steps". The foregoing description of steps is qualified in its entirety by reference to the full text of the Plan of Arrangement attached as Appendix D to this Information Circular.

Pursuant to the Plan of Arrangement, all SilverBirch Options which have not been exercised as at the Effective Time shall be cancelled and be of no further force and effect. See "The Arrangement – SilverBirch Options".

### ***Arrangement Steps***

The following summarizes the steps which will occur under the Plan of Arrangement on the Effective Date, if all conditions to the implementation of the Arrangement have been satisfied or waived. The following description of steps is qualified in its entirety by reference to the full text of the Plan of Arrangement attached as Appendix D to this Information Circular:

- (a) the Shareholder Rights Plan shall be terminated and all rights issued thereunder shall be extinguished;
- (b) all unexercised SilverBirch Options and the SilverBirch Option Plan shall be cancelled and be of no further force and effect and none of SilverBirch, Teck, the Purchaser, SilverWillow or any of their respective affiliates or successors shall have any liability in respect thereof;

- (c) subject to Section 5.1 of the Plan of Arrangement, the SilverBirch Common Shares held by Dissenting SilverBirch Shareholders in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred to Teck (free and clear of any Liens) without any further act or formality and:
  - (i) such Dissenting SilverBirch Shareholders shall cease to be the holders of such SilverBirch Common Shares and to have any rights as holders of such SilverBirch Common Shares other than the right to be paid fair value for such SilverBirch Common Shares as set out in Section 5.1 of the Plan of Arrangement; and
  - (ii) such Dissenting SilverBirch Shareholders' names shall be removed as the holders of such SilverBirch Common Shares from the register of SilverBirch Common Shares maintained by or on behalf of SilverBirch;
- (d) the articles of SilverBirch shall be amended to create an unlimited number of SilverBirch Preferred Shares, Series 2, and SilverBirch shall issue to Teck one SilverBirch Preferred Share, Series 2 in consideration for the transfer by Teck of the Transferred Leases to SilverBirch, and the assumption by SilverBirch of all liabilities relating thereto, which SilverBirch Preferred Share, Series 2 shall have a redemption amount equal to the amount by which the fair market value of the Transferred Leases exceed the related assumed liabilities at the time of issue;
- (e) pursuant to the terms of the Frontier Partnership Contribution Agreement:
  - (i) SilverBirch shall transfer a 0.01 percent interest in the Retained Assets to PartnerCo in consideration for 100 PartnerCo shares;
  - (ii) SilverBirch will contribute a 99.99 percent interest in the Retained Assets to Frontier Partnership;
  - (iii) PartnerCo will contribute the interest in the Retained Assets transferred to it by SilverBirch to Frontier Partnership;

such that following all such steps, all of the Retained Assets have been contributed to and become property of Frontier Partnership;
- (f) the Purchaser will advance the Contributed Amount to SilverBirch as a non-interest bearing loan;
- (g) the articles of SilverWillow will be amended to create an unlimited number of SilverWillow Preferred Shares, and the Transfer Agreement shall become effective and SilverBirch will transfer the Spin-Off Assets to SilverWillow pursuant to the terms of the Transfer Agreement in consideration for:
  - (i) the issuance by SilverWillow to SilverBirch of one SilverWillow Preferred Share having a redemption amount equal to the SilverWillow Redemption Amount;
  - (ii) the issuance by SilverWillow to SilverBirch of that number of SilverWillow Shares equal to:
    - (A) the total number of SilverBirch Common Shares held by Teck at the time the Transfer Agreement became effective, minus
    - (B) the number of SilverWillow Shares outstanding immediately prior to the Effective Time; and
  - (iii) the assumption by SilverWillow of the Assumed Liabilities;

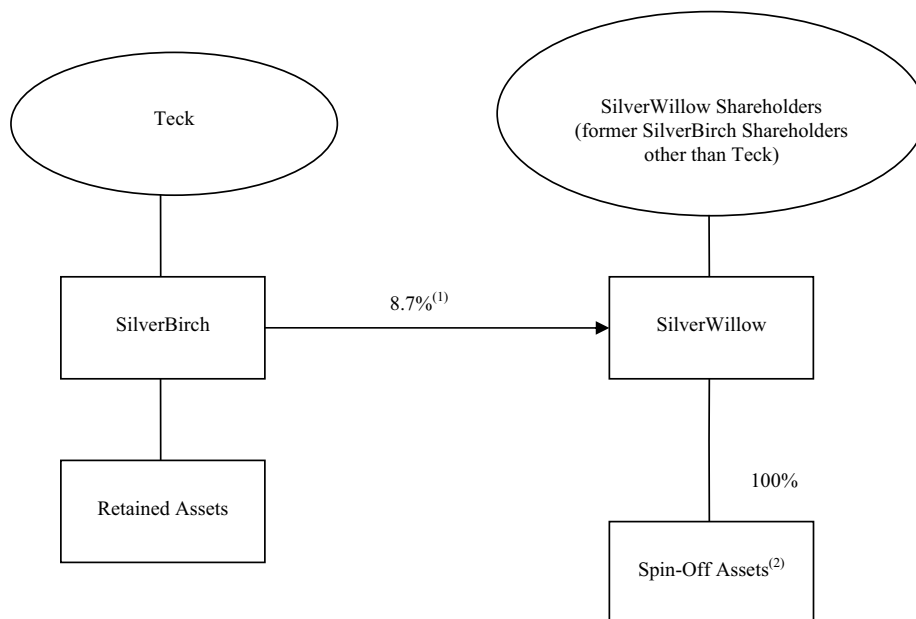
in each case, all as is more specifically described in the Transfer Agreement;
- (h) the SilverWillow Preferred Share shall be redeemed by SilverWillow in consideration of the issuance of the SilverWillow Promissory Note;

- (i) each issued and outstanding SilverBirch Common Share held by a Non-Resident shall be transferred to the Purchaser (free and clear of all Liens) for the Cash Consideration and as additional consideration for such SilverBirch Common Share, the Purchaser shall transfer to such Non-Resident, the SilverWillow Share Consideration pursuant to (m) below;
- (j) SilverBirch's articles shall be amended as follows:
  - (i) creating a new class of shares designated as "Class A Shares", in an unlimited number, having the rights, privileges, restrictions and conditions set out in Part 1 of Schedule 3 attached to the Plan of Arrangement; and
  - (ii) creating a new class of shares designated as "Class B Shares", in an unlimited number, having the rights, privileges, restrictions and conditions set out in Part 2 of Schedule 3 attached to the Plan of Arrangement;and concurrently therewith each then issued and outstanding SilverBirch Common Share (including those SilverBirch Common Shares acquired by Teck pursuant to (c) and by the Purchaser pursuant to (i)) will be deemed to be exchanged (without any action on the part of the holder of the SilverBirch Common Shares) for one SilverBirch Class A Share and one SilverBirch Class B Share and the SilverBirch Common Shares so exchanged shall thereupon be cancelled;
- (k) each SilverBirch Class B Share (other than any SilverBirch Class B Shares held by Teck but including any SilverBirch Class B Shares acquired by the Purchaser pursuant to (j)) will be transferred to SilverWillow (free and clear of all Liens) in consideration for the issuance by SilverWillow of one SilverWillow Share for each SilverBirch Class B Share transferred to it;
- (l) the SilverBirch Class B Shares held by SilverWillow will be redeemed in consideration of the cancellation of the SilverWillow Promissory Note;
- (m) the Purchaser shall transfer to each Non-Resident whose SilverBirch Common Shares were transferred to the Purchaser pursuant to (i) such number of SilverWillow Shares as are transferable to such Non-Resident pursuant to (i) above;
- (n) each issued and outstanding SilverBirch Class A Share (other than those held by either Teck or the Purchaser) shall be transferred to the Purchaser (free and clear of any Liens) in exchange for the Cash Consideration;
- (o) the articles of SilverBirch will be amended to create an unlimited number of SilverBirch Preferred Shares, Series 3, and SilverBirch shall issue to the Purchaser one SilverBirch Preferred Share, Series 3 in satisfaction of the amounts owing by SilverBirch to the Purchaser in respect of the Loan, the Frontier Costs, and the Contributed Amount contemplated in (f) above, which SilverBirch Preferred Share, Series 3 shall have a redemption amount equal to the aggregate of such amounts owing; and
- (p) all SilverBirch Class A Shares, SilverBirch Class B Shares, SilverBirch Preferred Shares, Series 2 and SilverBirch Preferred Shares, Series 3 in the capital of SilverBirch owned by Teck shall be transferred to the Purchaser in consideration for the issuance by the Purchaser to Teck of such number of additional common shares of the Purchaser as have a fair market value equal to the shares of SilverBirch so transferred to the Purchaser.

The foregoing is only a summary of the steps to be undertaken pursuant to the Plan of Arrangement. Reference should be made to the full text of the Plan of Arrangement which is attached to this Information Circular as Appendix D.

### **The Post-Arrangement Structure**

The following chart shows, in a simplified manner, the relationship between SilverBirch, SilverWillow, Teck and the former SilverBirch Shareholders following completion of the Arrangement.



**Notes:**

- (1) Approximate and assuming that there are no Dissenting SilverBirch Shareholders and that all of the in-the-money SilverBirch Options are exercised prior to the Arrangement. Immediately following completion of the steps in the Plan of Arrangement, through its ownership interest in the Purchaser, Teck will indirectly hold its post-Arrangement interest in SilverWillow through SilverBirch, with SilverBirch holding an interest in SilverWillow equal to the interest of Teck in SilverBirch after the transfer of any SilverBirch Common Shares to Teck by Dissenting SilverBirch Shareholders. As of February 28, 2012, Teck owns 4,675,200 SilverBirch Common Shares, representing approximately 8.7 percent of the issued and outstanding SilverBirch Common Shares on a fully-diluted basis (approximately 9.3 percent on an undiluted basis).
- (2) The "Spin-Off Assets" are comprised of certain assets in which SilverWillow will own a 100 percent working interest. See Appendix G – Information Concerning SilverWillow.

Following completion of the Arrangement, SilverWillow will own the Spin-Off Assets.

See "Information Concerning SilverWillow" and Appendix G – Information Concerning SilverWillow.

**SilverBirch Options**

The Arrangement will result in a "change of control" for purposes of the SilverBirch Option Plan as well as SilverBirch executive employment agreements. Pursuant to the SilverBirch Option Plan, upon the consummation of the Arrangement, all of the SilverBirch Options not previously exercised would become exercisable in full at the time of the change of control of SilverBirch.

Pursuant to the Arrangement Agreement, the Parties acknowledged that all awards under the SilverBirch Option Plan shall be accelerated thereunder and that upon approval of the Arrangement by the SilverBirch Shareholders, SilverBirch will cause all outstanding SilverBirch Options to vest. All SilverBirch Options must be exercised (including conditionally exercised), terminated or surrendered such that no SilverBirch Options to purchase or receive SilverBirch Common Shares will remain outstanding as of the Effective Date.

In order to facilitate the exercise of all SilverBirch Options prior to the Arrangement becoming effective, the SilverBirch Board of Directors has approved the vesting of all outstanding SilverBirch Options, conditional upon the Effective Time occurring, in order that all outstanding SilverBirch Options shall be fully vested and may be exercised in connection with the Arrangement.



Under the Arrangement Agreement it is a condition precedent to the Arrangement in favour of the Purchaser that each of the Locked-Up Directors and Officers shall have provided his or her written resignation as a director or officer of SilverBirch effective on or before the Effective Date. It is also anticipated that all employees of SilverBirch will cease to be employees of SilverBirch in connection with the Arrangement.

Pursuant to the Plan of Arrangement, all SilverBirch Options which have not been exercised which are outstanding as at the Effective Time shall be cancelled and be of no further force or effect.

### **The Arrangement Agreement**

*The following is a summary of the material terms of the Arrangement Agreement and is subject to, and qualified in its entirety by, the full text of the Arrangement Agreement which is attached to this Information Circular as Appendix C. SilverBirch Shareholders are urged to read the Arrangement Agreement in its entirety.*

Pursuant to the Arrangement Agreement, it was agreed that the Parties would carry out the Arrangement in accordance with the Arrangement Agreement on the terms set out in the Plan of Arrangement. See "The Arrangement – Arrangement Mechanics".

### ***Effective Date of the Arrangement***

After obtaining the approval of the SilverBirch Shareholders at the Meeting, upon the other conditions in the Arrangement Agreement, including receipt of the appropriate Regulatory Approvals, being satisfied or waived (if permitted) and upon the Final Order being granted, SilverBirch will file the Articles of Arrangement with the Director. Pursuant to Section 192(8) of the CBCA, the Arrangement becomes effective on the date shown on the Certificate of Arrangement issued by the Director.

### ***Covenants***

#### ***Covenants of the Purchaser***

The Purchaser has given usual and customary covenants for an agreement of this nature, including, among others, a covenant to apply for and to use all commercially reasonable efforts to obtain all Regulatory Approvals relating to it and to SilverBirch or any of SilverBirch's subsidiaries, as well as a covenant to use all commercially reasonable efforts to effect all necessary registrations, filings and submissions of information required by Governmental Entities from the Purchaser or its affiliates and a covenant to use commercially reasonable efforts to defend all lawsuits or other legal, regulatory or other proceedings against it challenging the Arrangement Agreement or the consummation of the transactions contemplated therein.

#### ***Covenants of Teck***

Teck has guaranteed, covenanted and agreed to be jointly and severally liable with the Purchaser for all obligations of the Purchaser under or relating to the Arrangement Agreement, including the payment of the aggregate consideration payable under the Arrangement Agreement.

#### ***Covenants of SilverBirch***

SilverBirch has given usual and customary covenants for an agreement of this nature, including, among others, a covenant to carry on business in the ordinary course of business consistent with past practice between the date of the Arrangement Agreement and the earlier of the Effective Time and the date that the Arrangement Agreement is terminated and to use reasonable best efforts to maintain and preserve its and its subsidiaries' business organization, assets, properties, employees, goodwill and business relationships, including the Retained Leases.

SilverBirch has agreed to enter into, and to cause SilverWillow and Frontier Partnership to enter into, the Transfer Agreement and ancillary agreements to complete the transfer of the Spin-Off Assets to SilverWillow as of the Effective Date, to use all commercially reasonable efforts to have the SilverWillow Shares to be issued pursuant to the Arrangement accepted or approved for listing on an Exchange as of the Closing Date and to use all commercially reasonable efforts to ensure that it has as of the Effective Time an amount of Transferred Working Capital that is no less than Cdn\$20 million.

*Mutual Covenants Regarding the Arrangement*

SilverBirch and the Purchaser have each given usual and customary mutual covenants for an agreement of this nature, including a mutual covenant to use their respective commercially reasonable efforts to satisfy the conditions precedent to their respective obligations under the Arrangement Agreement and not to take any action or refrain from taking any commercially reasonable action, or permit any action to be taken, or commercially reasonable action to not be taken which is inconsistent with the Arrangement Agreement or which would reasonably be expected to impede, prevent or delay the Arrangement or diminish the value of SilverBirch or its assets in any way.

SilverBirch has agreed that, upon request by the Purchaser, SilverBirch shall, and shall cause its subsidiaries to, at the expense of the Purchaser, use all commercially reasonable efforts to: (a) effect such reorganizations of its business, operations and assets and the integration of other affiliated businesses as the Purchaser may request, acting reasonably (each a "**Pre-Acquisition Reorganization**"), which Pre-Acquisition Reorganization shall include any or all of the steps, as determined by the Purchaser in its sole discretion; and (b) cooperate with the Purchaser and its advisors to determine the nature of the Pre-Acquisition Reorganizations that might be undertaken and the manner in which they may most effectively be undertaken, including for greater certainty, the determination of the tax basis attributable to SilverWillow in conjunction with the Spin-Off.

SilverBirch has agreed to, at the request of the Purchaser: (i) amend the articles of incorporation of SilverWillow such that its share capital will consist of an unlimited number of common shares and an unlimited number of preferred shares with the terms and conditions as determined by the Purchaser and consistent with the Plan of Arrangement, as of the Effective Time; (ii) prior to the Effective Date, incorporate PartnerCo; (iii) prior to the Effective Date, form, together with PartnerCo, Frontier Partnership; and (iv) enter into, and cause PartnerCo to enter into, the Frontier Partnership Contribution Agreement and any ancillary agreements to complete the transfer of the Retained Assets to Frontier Partnership as of the Effective Date.

The Purchaser shall provide written notice to SilverBirch of any proposed Pre-Acquisition Reorganization at least ten days prior to the anticipated Effective Time. Upon receipt of such notice, the Purchaser and SilverBirch shall, at the expense of the Purchaser, work cooperatively and use all commercially reasonable efforts to prepare prior to the Effective Time all documentation necessary and do such other acts and things as are necessary to give effect to any Pre-Acquisition Reorganizations. Notwithstanding the foregoing, SilverBirch shall not be required to effect a Pre-Acquisition Reorganization unless it has received an appropriate indemnity indemnifying it for all costs, expenses, and losses which it may suffer solely as a result of such Pre-Acquisition Reorganization if after participating in any Pre-Acquisition Reorganization the Arrangement is not completed other than due to a breach by SilverBirch of the terms and conditions of the Arrangement Agreement.

*Covenants of SilverBirch Regarding Non-Solicitation and Right to Match*

Under the Arrangement Agreement, SilverBirch has agreed to certain non-solicitation covenants in favour of the Purchaser as follows:

- (a) Except as expressly permitted by the Arrangement Agreement, SilverBirch shall not, directly or indirectly, through any officer, director, employee, representative (including any financial or other advisor) or agent of SilverBirch or any of its subsidiaries:
  - (i) knowingly solicit, assist, initiate, facilitate or encourage (including by way of furnishing information or permitting any visit to any facilities or entering into any contract) the initiation of any inquiries, proposals or offers regarding an Acquisition Proposal;
  - (ii) participate in any discussions or negotiations with any person regarding an Acquisition Proposal;
  - (iii) withdraw, amend, modify or qualify, or propose publicly to withdraw, amend, modify or qualify, in a manner adverse to the Purchaser, the approval or recommendation of the SilverBirch Board of Directors or any committee thereof of the Arrangement Agreement or the Arrangement;
  - (iv) accept, approve, endorse or recommend or remain neutral with respect to, or propose publicly to approve, endorse or recommend or remain neutral with respect to, any Acquisition Proposal; or

- (v) accept or enter into, or publicly propose to enter into, any contract in respect of an Acquisition Proposal (other than a confidentiality agreement permitted by the Arrangement Agreement).
- (b) Notwithstanding the foregoing and other provisions of the Arrangement Agreement, the SilverBirch Board of Directors shall be permitted to participate in any discussions or negotiations with, or furnish information to, any person in response to an Acquisition Proposal by such person if and only to the extent that:
  - (i) SilverBirch has received an unsolicited bona fide written Acquisition Proposal from such person and such Acquisition Proposal would, if completed in accordance with its terms, constitute a Superior Proposal, provided that:
    - (A) the Arrangement Resolution has not been approved by SilverBirch Shareholders by the Required Vote;
    - (B) SilverBirch has complied with all other requirements of the non-solicitation provisions of the Arrangement Agreement in all respects;
    - (C) the SilverBirch Board of Directors, after consultation with its financial advisors and outside legal counsel, determines in good faith that failure to take such action would be inconsistent with its fiduciary duties under all applicable Laws; and
    - (D) prior to providing any information or data to such person in connection with such Acquisition Proposal, the SilverBirch Board of Directors receives from such person an executed confidentiality and standstill agreement in a form substantially similar to the form of confidentiality and standstill agreement entered into between Teck and SilverBirch, and SilverBirch sends a copy of any such confidentiality and standstill agreement to the Purchaser prior to its execution and the Purchaser is provided promptly with a list of, or in the case of information that was not previously made available to the Purchaser, copies of, any information provided to such person; or
  - (ii) the Acquisition Proposal relates solely and is limited to, the sale of the shares of SilverWillow or the sale by SilverWillow of all or any portion of the Spin-Off Assets, which sale in either case would not be completed until after the Effective Date and would be made in compliance with the terms of the Arrangement Agreement.
- (c) SilverBirch shall, and shall cause the officers, directors, employees, representatives and agents of SilverBirch and its subsidiaries to, immediately terminate any existing solicitations, discussions or negotiations with any person (other than the Purchaser and its affiliates) that has made, indicated any interest to make or may reasonably be expected to make, an Acquisition Proposal. SilverBirch shall advise its and its subsidiaries' officers, directors, SilverBirch Employees, representatives (including any financial or other advisor) and agents of the prohibition set forth in the Arrangement Agreement.
- (d) SilverBirch agrees not to release any third party from any standstill agreement or similar agreement to which it is a party unless such party has made an Acquisition Proposal and such Acquisition Proposal constitutes a Superior Proposal. SilverBirch shall promptly request the return or destruction of all information provided to any third party that, at any time since September 30, 2010, has entered into a confidentiality agreement with SilverBirch relating to a potential Acquisition Proposal to the extent that such information has not previously been returned or destroyed, and shall use all commercially reasonable efforts to ensure that such requests are honoured in accordance with the terms of such agreement.
- (e) SilverBirch shall promptly (and in any event within 24 hours of receipt by SilverBirch) notify the Purchaser, at first orally and thereafter in writing, of any proposal, inquiry, offer (or any amendment thereto) or request relating to or constituting an Acquisition Proposal, in each case received after the date of the Arrangement Agreement, of which any of its directors, officers, employees, representatives or agents are or become aware, or any amendments to the foregoing, any request for discussions or negotiations, or any request for non-public information relating to SilverBirch or any of its subsidiaries in connection with an Acquisition Proposal or for access to the properties, books or records of SilverBirch or any of its subsidiaries by any person that informs SilverBirch or such subsidiary

that it is considering making, or has made, an Acquisition Proposal and any amendment thereto; and, if in writing or electronic form, SilverBirch shall provide a copy thereof to the Purchaser, and if not in writing or electronic form, SilverBirch shall provide a description of the material terms and conditions of any such Acquisition Proposal or proposal, inquiry, offer or request and shall provide the identity of the person making any such Acquisition Proposal or proposal, inquiry, offer or request and such other details as the Purchaser may reasonably request. SilverBirch shall keep the Purchaser fully informed of the status of and any change to the material terms of any such Acquisition Proposal or proposal, inquiry, offer or request, and shall provide to the Purchaser copies of all correspondence if in writing or electronic form, and if not in writing or electronic form, a description of the material terms of such correspondence sent to SilverBirch by or on behalf of any person making any such Acquisition Proposal. SilverBirch has agreed that it will promptly terminate and discontinue all discussions or negotiations with any person in respect to an Acquisition Proposal referred to in (b)(ii) above if the Purchaser advises SilverBirch that it will not consent to such Acquisition Proposal pursuant to the Arrangement Agreement because of one or more reasons permitted by the Arrangement Agreement.

- (f) SilverBirch shall not accept, approve or recommend, nor enter into any agreement (other than a confidentiality agreement permitted by the non-solicitation provisions of the Arrangement Agreement described above) relating to an Acquisition Proposal, other than an Acquisition Proposal referred to in (b)(ii) above, unless:
- (i) it has received a bona fide written unsolicited Acquisition Proposal that constitutes a Superior Proposal;
  - (ii) the Arrangement Resolution has not been approved by the SilverBirch Shareholders by the Required Vote;
  - (iii) SilverBirch has complied with of the non-solicitation provisions of the Arrangement Agreement described in Section 7.2(1) through 7.2(7) of the Arrangement Agreement (inclusive);
  - (iv) SilverBirch has provided the Purchaser with (A) notice in writing that there is a Superior Proposal, and (B) all documentation related to and detailing the Superior Proposal, in each case at least five business days prior to the date on which the SilverBirch Board of Directors proposes to accept, approve, recommend or enter into any agreement relating to such Superior Proposal, together with a written notice from the SilverBirch Board of Directors regarding the value and financial terms that the SilverBirch Board of Directors, in consultation with its financial advisors, has determined should be ascribed to any non-cash consideration offered under such Acquisition Proposal;
  - (v) five business days shall have elapsed from the later of the date the Purchaser received the notice and documentation referred to in (f)(iv) above from SilverBirch in respect of the Acquisition Proposal and the date the Purchaser received notice of SilverBirch's proposed determination to accept, approve, recommend or to enter into any agreement relating to such Superior Proposal, and, if the Purchaser has proposed to amend the terms of the transactions contemplated in the Arrangement Agreement and the Arrangement in accordance with Section 7.2(7) of the Arrangement Agreement, the SilverBirch Board of Directors (after receiving advice from its financial advisors and outside legal counsel) shall have determined in good faith that the Acquisition Proposal is a Superior Proposal compared to the proposed amendment to the terms of the Arrangement Agreement and the Arrangement proposed by the Purchaser;
  - (vi) SilverBirch concurrently terminates the Arrangement Agreement pursuant to Section 8.2(4)(b) of the Arrangement Agreement; and
  - (vii) SilverBirch has previously, or concurrently will have, paid to the Purchaser the Termination Fee and repaid all amounts (including all accrued interest) owing under the Loan.
- (g) During the periods referred to in (f)(iv) and (f)(v) above or such longer period as SilverBirch may approve for such purpose, the Purchaser shall have the opportunity, but not the obligation, to propose to amend the terms of the transactions contemplated in the Arrangement Agreement and the Arrangement and SilverBirch shall co-operate with the Purchaser with respect thereto, including negotiating in good faith with the Purchaser to enable the Purchaser to make such adjustments to the terms and conditions of the Arrangement Agreement and the Arrangement as the Purchaser deems appropriate and as would enable the Purchaser to proceed with the Arrangement and the transactions contemplated in the Arrangement Agreement on such adjusted terms. The SilverBirch Board of Directors shall review any proposal by the Purchaser to amend the terms of the transactions

contemplated in the Arrangement Agreement and the Arrangement in order to determine, in good faith in the exercise of its fiduciary duties, whether the Purchaser's proposal to amend the transactions contemplated by the Arrangement Agreement and the Arrangement would result in the Acquisition Proposal not being a Superior Proposal compared to the proposed amendment to the transactions contemplated by the Arrangement Agreement and the Arrangement.

- (h) The SilverBirch Board of Directors shall promptly reaffirm its recommendation of the Arrangement by press release after any Acquisition Proposal is publicly announced or made and (A) the SilverBirch Board of Directors determines that the Acquisition Proposal is not a Superior Proposal; or (B) the SilverBirch Board of Directors determines that a proposed amendment to the terms of the Arrangement would result in the Acquisition Proposal not being a Superior Proposal, and the Purchaser has so amended the terms of the Arrangement. The Purchaser and its counsel and other advisors shall be given a reasonable opportunity to review and comment on the form and content of any such press release. Such press release shall state that the SilverBirch Board of Directors has determined that the Acquisition Proposal is not a Superior Proposal.
- (i) Each successive modification of any Acquisition Proposal shall constitute a new Acquisition Proposal for purposes of the above non-solicitation provisions of the Arrangement Agreement.
- (j) Nothing contained in the Arrangement Agreement shall limit in any way the obligation of SilverBirch to convene and hold the Meeting in accordance with the provisions of the Arrangement Agreement unless the Arrangement Agreement is terminated in accordance with its terms.

#### ***Representations and Warranties***

The Arrangement Agreement contains certain representations and warranties of SilverBirch relating to the following: board approval; organization and qualification of SilverBirch; authority relative to the Arrangement Agreement; no subsidiaries or interests; capitalization of SilverBirch; outstanding indebtedness; no violations; Shareholder Rights Plan; compliance with laws; reporting status and securities laws matters; reports; subsequent reports; information; SilverBirch financial statements; no undisclosed material liabilities; cash balances; books and records; internal control over financial reporting; up-the-ladder reporting; absence of certain changes; litigation; taxes; personal property; contracts; interest in Retained Leases; operational matters; no expropriation; restrictions on business activities; pension and employee benefits; insurance; related party transactions; environment; First Nations and Native issues; employment matters; confidentiality agreements; vote required; brokers; anti-corruption; foreign private issuer status; and non-investment company status.

The Arrangement Agreement contains certain representations and warranties of the Purchaser and Teck relating to the following: organization and qualification; authority relative to the Arrangement Agreement; ownership of the Purchaser; no violations; funds available; status; interest in Transferred Leases; foreign private issuer status; and non-investment company status.

#### ***Conditions to Closing***

##### ***Mutual Conditions Precedent***

Under the terms of the Arrangement Agreement the Parties agreed that the respective obligations of the Parties to consummate the transactions contemplated by the Arrangement Agreement, and the Arrangement, are subject to the fulfillment, on or before the Effective Date, of the following conditions:

- (a) the Arrangement shall have been approved at the Meeting by not less than the Required Vote;
- (b) the Interim Order and the Final Order shall each have been obtained in form and on terms reasonably satisfactory to each of the Parties, and shall not have been set aside or modified in a manner unacceptable to the Parties, acting reasonably, on appeal or otherwise;
- (c) all Regulatory Approvals shall have been obtained or concluded and, in the case of waiting or suspensory periods, expired, been terminated or been waived;

- (d) no Governmental Entity shall have enacted, issued, promulgated, applied for (or advised any of the Parties in writing that it has determined to make such application), enforced or entered any Law (whether temporary, preliminary or permanent) that restrains, enjoins or otherwise prohibits consummation of, or dissolves the Arrangement or the other transactions contemplated by the Arrangement Agreement; and
- (e) the Arrangement Agreement shall not have been terminated in accordance with its terms.

The foregoing conditions are for the mutual benefit of the Parties and may be waived by the mutual consent of each of the Parties.

*Conditions in Favour of Teck and the Purchaser*

The obligation of Teck and the Purchaser to consummate the transactions contemplated in the Arrangement Agreement, and in the Arrangement, is subject to the fulfillment of the following conditions:

- (a) all covenants of SilverBirch under the Arrangement Agreement to be performed on or before the Effective Time shall have been duly performed by SilverBirch in all material respects, and Teck and the Purchaser shall have received a certificate of SilverBirch addressed to Teck and the Purchaser dated the Effective Time, signed on behalf of SilverBirch by two senior executive officers of SilverBirch (on SilverBirch's behalf and without personal liability), confirming the same as at the Effective Time;
- (b) the representations and warranties of SilverBirch set forth in the Arrangement Agreement shall be true and correct (for representations and warranties qualified as to materiality or Material Adverse Effect, true and correct in all respects, and for all other representations and warranties, true and correct in all material respects) as of the Effective Time, as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date) and Teck and the Purchaser shall have received a certificate of SilverBirch addressed to Teck and the Purchaser and dated the Effective Time, signed on behalf of SilverBirch by two senior executive officers of SilverBirch (on SilverBirch's behalf and without personal liability), confirming the above as at the Effective Time;
- (c) all Regulatory Approvals shall have been obtained or concluded on terms and conditions that do not adversely affect the activities of Teck, the Purchaser or SilverBirch or any of their respective significant subsidiaries or affiliates as conducted on January 8, 2012 and no Governmental Entity shall have advised Teck, the Purchaser or SilverBirch or any of their respective significant subsidiaries or affiliates that it intends to seek to impose or to have any court or tribunal impose any restriction on their respective activities (as conducted on January 8, 2012) as a result of the consummation of the Arrangement that would adversely affect Teck, the Purchaser, SilverBirch or any of their respective significant subsidiaries or affiliates;
- (d) all consents, authorizations, waivers, orders, licenses and approvals from or notifications to any persons required under the terms of any contracts or Permits with respect to the acquisition of control of SilverBirch by the Purchaser, or otherwise required in connection with the consummation of the transactions contemplated under the Arrangement Agreement in form and substance satisfactory to the Purchaser, acting reasonably, shall have been duly obtained or given, as the case may be, at or before the Effective Time, except for the failure to obtain or provide which would not reasonably be expected to have a Material Adverse Effect;
- (e) no adverse legal action (whether, for greater certainty, by a Governmental Entity or any other person) shall be commenced or be pending or threatened and no Law shall have been proposed, enacted, promulgated or applied, in either case, (A) to cease trade, enjoin, prohibit or impose material conditions on the Arrangement or the transactions contemplated in the Arrangement Agreement or Arrangement, (B) to cease trade, enjoin, prohibit or impose material conditions on the rights of Teck or the Purchaser to own or exercise full rights of ownership of the SilverBirch Common Shares upon the completion of the Arrangement or to conduct the business conducted by SilverBirch, (C) to prohibit or restrict the completion of the Arrangement in accordance with the terms of the Arrangement Agreement or otherwise relating to the Arrangement or (D) that would reasonably be expected to have a Material Adverse Effect;
- (f) since January 8, 2012, there shall not have occurred a Material Adverse Effect or any event or occurrence that would reasonably be expected to have a Material Adverse Effect;

- (g) each of the Locked-Up Directors and Officers shall have provided their written resignation as a director or officer of SilverBirch (or both) effective on or before the Effective Date together with a mutual release (in form satisfactory to the Purchaser acting reasonably) in favour of SilverBirch, which resignations and mutual releases shall not disentitle such Locked-Up Directors and Officers from any 'change of control' payments that may be owing to them pursuant to the terms of their employment with SilverBirch;
- (h) since January 8, 2012, there shall not have occurred or come into existence any material adverse claims, impairments, rights, interests, limitations or other restrictions of any kind whatsoever in respect of any of SilverBirch's properties or assets, including any Retained Projects, which has not been disclosed to the Purchaser prior to January 8, 2012 in writing;
- (i) SilverBirch and SilverWillow shall have executed and delivered the Transfer Agreement and any ancillary agreements contemplated thereby in a form satisfactory to the Purchaser;
- (j) SilverBirch shall have incorporated PartnerCo and created Frontier Partnership and executed and delivered the Frontier Partnership Contribution Agreement and an ancillary agreements, all as contemplated by the Arrangement Agreement, the whole in a form satisfactory to the Purchaser;
- (k) the aggregate number of SilverBirch Common Shares held, directly or indirectly, by SilverBirch Shareholders who have properly exercised Dissent Rights in connection with the Arrangement shall not exceed five percent of the outstanding SilverBirch Common Shares;
- (l) the due execution and delivery to the Purchaser, concurrently with execution of the Arrangement Agreement, of the Lock-up Agreements from all of the Locked-Up Directors and Officers and each of the Major Shareholders; and
- (m) SilverBirch shall have as of the Effective Time an amount of Transferred Working Capital that is no less than Cdn\$1.00.

The foregoing conditions are for the exclusive benefit of Teck and the Purchaser and may be waived in whole or in part by Teck and the Purchaser.

*Conditions in Favour of SilverBirch*

The obligation of SilverBirch to consummate the transactions contemplated in the Arrangement Agreement, and in the Arrangement, is subject to the fulfillment of the following conditions:

- (a) all covenants of Teck and the Purchaser under the Arrangement Agreement to be performed on or before the Effective Time shall have been duly performed by Teck and the Purchaser in all material respects, and SilverBirch shall have received a certificate of Teck and the Purchaser, addressed to SilverBirch and dated the Effective Time, signed on behalf of Teck and the Purchaser, by two of its senior executive officers (on such Party's behalf and without personal liability), confirming the same as of the Effective Time;
- (b) the representations and warranties of Teck and the Purchaser set forth in the Arrangement Agreement shall be true and correct (for representations and warranties qualified as to materiality, true and correct in all respects, and for all other representations and warranties, true and correct in all material respects) as of the Effective Time, as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date) and SilverBirch shall have received a certificate of Teck and the Purchaser, addressed to SilverBirch and dated the Effective Time, signed on behalf of Teck and the Purchaser, by two senior executive officers of such Party (on such Party's behalf and without personal liability), confirming the above as of the Effective Time; and
- (c) the shares to be issued by SilverWillow pursuant to the Arrangement shall have been accepted and approved for listing on an Exchange whether or not on conditions, on or prior to the Effective Date.

The foregoing conditions are for the exclusive benefit of SilverBirch and may be waived in whole or in part by SilverBirch.

***Termination of the Arrangement Agreement***

The Purchaser and SilverBirch have agreed that the Arrangement Agreement may be terminated at any time prior to the Effective Time:

- (a) by mutual written consent of both the Purchaser and SilverBirch;
- (b) by the Purchaser or SilverBirch:
  - (i) if the Effective Time has not occurred on or prior to the Outside Date, except that the right to terminate the Arrangement Agreement under this clause (i) shall not be available to any Party to the Arrangement Agreement whose failure to fulfill any of its obligations has been the cause of, or resulted in, the failure of the Effective Time to occur by such date;
  - (ii) if the Required Vote is not obtained at the Meeting (or any adjournment or postponement thereof); or
  - (iii) if any Law is enacted or made after the date of the Arrangement Agreement that makes the consummation of the Arrangement or the transactions contemplated by the Arrangement Agreement illegal or otherwise prohibited, and such Law has become final and nonappealable.
- (c) by the Purchaser:
  - (i) if:
    - (A) the SilverBirch Board of Directors has failed to publicly recommend the Arrangement Agreement or Arrangement,
    - (B) the SilverBirch Board of Directors or any committee thereof shall have withdrawn or qualified, amended or modified in a manner adverse to the Purchaser, its approval or recommendation of the Arrangement,
    - (C) SilverBirch or the SilverBirch Board of Directors or any committee thereof publicly announces its intention to do, or that it has done, any of the foregoing, or
    - (D) the SilverBirch Board of Directors or any committee thereof fails to publicly reaffirm its recommendation of the Arrangement Agreement and the Arrangement after the announcement or commencement of any Acquisition Proposal or within three business days after having been requested to do so by the Purchaser;
  - (ii) subject to Section 7.1 of the Arrangement Agreement, if the Purchaser is not in material breach of its obligations under the Arrangement Agreement and SilverBirch breaches any of its representations, warranties, covenants or agreements contained in the Arrangement Agreement, which breaches would, individually or in the aggregate, give rise to the failure of a condition set forth in Section 6.1 or Section 6.2 of the Arrangement Agreement;
  - (iii) if SilverBirch breaches its covenants or agreements in Section 2.2, Section 5.3 or Section 7.2 of the Arrangement Agreement;
  - (iv) if there has occurred a Material Adverse Effect;
  - (v) if:
    - (A) any court of competent jurisdiction or other Governmental Entity shall have issued an order, decree or ruling enjoining or otherwise prohibiting any of the transactions contemplated in the Arrangement Agreement (unless such order, decree or ruling has been withdrawn, reversed or otherwise made inapplicable); or



- (B) any litigation or other proceeding is pending or has been threatened to be instituted by any person or Governmental Entity, which, in the good faith judgment of the Purchaser, could reasonably be expected to result in a decision, order, decree or ruling which enjoins, prohibits, grants damages in a material amount in respect of, or materially impairs the benefits of, any of the transactions contemplated in the Arrangement Agreement; or
- (vi) if the Meeting is cancelled, adjourned or postponed except as agreed to by the Purchaser in writing.
- (d) By SilverBirch:
  - (i) subject to Section 7.1 of the Arrangement Agreement, if SilverBirch is not in material breach of its obligations under the Arrangement Agreement and the Purchaser breaches any of its representations, warranties, covenants or agreements contained in the Arrangement Agreement, which breaches would, individually or in the aggregate, give rise to the failure of a condition set forth in Section 6.1 or Section 6.3 of the Arrangement Agreement; or
  - (ii) if, prior to approval of the Arrangement Resolution by SilverBirch Shareholders by the Required Vote, SilverBirch enters into a definitive agreement with respect to a Superior Proposal in compliance with the provisions of Section 7.2(6) of the Arrangement Agreement, provided that SilverBirch has previously or concurrently will have paid to the Purchaser the Termination Fee and further provided that SilverBirch has not breached in a material respect any of its covenants, obligations or agreements in the Arrangement Agreement.

In the event of the termination of the Arrangement Agreement in the circumstances described above, the Arrangement Agreement shall forthwith become void and of no further force or effect and neither SilverBirch, the Purchaser or Teck shall have any further obligations or liability thereunder except as provided by Sections 7.3, 7.4, 7.5, 7.6, 9.1, 9.2, 9.5, 9.6, 9.7 and 9.8 and Subsection 8.2(5) of the Arrangement Agreement and as otherwise expressly contemplated thereby.

#### ***Termination Fees***

Notwithstanding any other provision relating to the payment of fees or expenses as set out in the Arrangement Agreement, SilverBirch shall pay, or cause to be paid to Teck the Termination Fee in an amount equal to Cdn\$20 million if:

- (a) the Purchaser shall have terminated the Arrangement Agreement pursuant to Section 8.2(3)(a), Section 8.2(3)(c), Section 8.2(3)(d) or Section 8.2(3)(g) of the Arrangement Agreement, in which case payment shall be made within two business days of such termination; or
- (b) (i) after January 8, 2012, a bona fide Acquisition Proposal shall have been made or proposed to SilverBirch or otherwise or publicly announced, or a person shall have publicly announced an intention to do so (which has not been withdrawn at least five business days prior to the date of the Meeting), and (ii) the Required Vote is not obtained at the Meeting (or any adjournment or postponement thereof) and (iii) within 365 days after the date of the termination of the Arrangement Agreement either (A) SilverBirch or any of its subsidiaries enters into a contract providing for the implementation of an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in clause (i) above and whether or not such Acquisition Proposal is completed), in which case payment shall be made prior to or concurrently with SilverBirch entering into such Acquisition Proposal, or (B) an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in clause (i) above) is consummated, in which case payment shall be made on the date on which such Acquisition Proposal is consummated; or
- (c) the Purchaser shall have terminated the Arrangement Agreement pursuant to Section 8.2(2)(a) or Section 8.2(3)(b) of the Arrangement Agreement and:
  - (i) the reason that the Effective Time did not occur prior to the Outside Date (in the case of termination pursuant to Section 8.2(2)(a) of the Arrangement Agreement) was the failure of SilverBirch to fulfill its obligations under the Arrangement Agreement when required to do so; or

- (ii) the breach that gave rise to the Purchaser's right to terminate (in the case of termination pursuant to Section 8.2(3)(b) of the Arrangement Agreement was wilful,

in which case payment shall be made within two business days of such termination; or

- (d) SilverBirch shall have terminated the Arrangement Agreement pursuant to Section 8.2(4)(b) of the Arrangement Agreement, in which case payment shall be paid to the Purchaser in accordance with Section 7.2(6) of the Arrangement Agreement.

Payment of such Termination Fee is acknowledged by SilverBirch, Teck and the Purchaser to be the payment of liquidated damages that are a genuine pre-estimate of the damages the Purchaser will suffer or incur as a result of the event giving rise to such payment and the resultant termination of the Arrangement Agreement and is not a penalty.

#### ***Expense Reimbursement***

In the event that: (a) the Arrangement Agreement is terminated by SilverBirch or the Purchaser as a result of a failure to obtain the Required Vote at the Meeting; or (b) the Arrangement Agreement is terminated by the Purchaser pursuant to Section 8.2(3)(b) of the Arrangement Agreement; SilverBirch has agreed to pay, or cause to be paid, to the Purchaser, the reasonable documented expenses of the Purchaser and its affiliates incurred in connection with the transactions contemplated by the Arrangement Agreement (to a maximum of Cdn\$1.5 million). Such expenses may include, but are not limited to, financial advisor fees, regulatory filing fees, fees of outside legal counsel and all other general fees, costs and expenses incurred by Teck and the Purchaser in connection with the Transaction. However, no expense reimbursement will be payable by SilverBirch if SilverBirch has paid a Termination Fee pursuant to the terms of the Arrangement Agreement.

#### ***Amendments***

The Arrangement Agreement and the Plan of Arrangement may at any time and from time to time before or after the holding of the Meeting be amended by mutual written agreement of the Parties, and any such amendment may, subject to the Interim Order and Final Order and applicable Laws, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation or warranty contained in the Arrangement Agreement or in any document delivered pursuant to the Arrangement Agreement;
- (c) waive compliance with or modify any of the covenants contained in the Arrangement Agreement and waive or modify performance of any of the obligations of the Parties; and/or
- (d) waive compliance with or modify any other conditions precedent contained in the Arrangement Agreement.

#### ***Interim Funding***

Under the terms of the Arrangement Agreement the Purchaser has agreed to provide SilverBirch, on the written request of SilverBirch, a senior secured loan in the principal amount of up to Cdn\$20 million (the "**Commitment Amount**") which loan would be on the terms and conditions set out in the Loan Agreement. In connection therewith:

- (a) SilverBirch will prior to entering into the Loan Agreement and in any event prior to making any request for an advance under the Loan Agreement, terminate the Credit Facilities and obtain a release of any security provided in connection with the Credit Facilities and a discharge of any registrations made in connection with such security. SilverBirch shall provide such documentation to the Purchaser as it may reasonably request evidencing the termination of the Credit Facilities, the release of such security and the discharge of such registrations.
- (b) The Commitment Amount shall be reduced to the extent of any amounts drawn by SilverBirch from time to time that remain outstanding. Amounts outstanding under the Loan from time to time shall bear interest, both before and after demand and judgment to the date of the repayment in full of the principal amount, at a rate of interest equal to the Prime Rate plus three and one-half (3.5 percent) percent per annum, where "Prime Rate" shall mean the annual rate of interest announced by Royal Bank of Canada from time to time as being a reference rate then in

effect for determining interest rates on Canadian dollar commercial loans made in Canada. Interest at such rate shall accrue daily and be calculated on the basis of the actual number of days elapsed in a year of 365 days or 366 days, as the case may be, and shall be payable on maturity of the Loan. Overdue interest shall bear interest at the same rate, calculated as aforesaid. All amounts outstanding under the Loan from time to time (including all accrued interest) shall be immediately due and owing by SilverBirch in the event of the termination of the Arrangement Agreement by the Purchaser pursuant to Section 8.2(3)(a), (b), (c), (d) or (g) of the Arrangement Agreement, or by SilverBirch pursuant to Section 8.2(4)(b) of the Arrangement Agreement, and shall otherwise be due and owing by SilverBirch on the sixtieth (60th) day following any other termination of the Arrangement Agreement or the Loan Agreement.

- (c) Each borrowing by SilverBirch under the Loan shall be made on not less than three business days prior notice to the Purchaser, given not later than 11:00 a.m. (Toronto time) by SilverBirch to the Purchaser. Advances may only be made under the Loan Agreement if the conditions precedent to such borrowing set forth in the Loan Agreement have been satisfied, including, among other things, if:
- (i) SilverBirch has previously terminated the Credit Facilities and obtained a release of all related security and a discharge of all related registrations in order to ensure that all obligations under the Loan Agreement and related security are secured by first priority liens on the property and assets of SilverBirch;
  - (ii) SilverBirch is not then in breach of any of its obligations under the Arrangement Agreement, the Loan Agreement or the Security (as defined below);
  - (iii) no event of default under the Loan Agreement has occurred and is continuing and no event has occurred or condition exists which would, with the giving of notice or the passage of time, or both, constitute an event of default under the Loan Agreement; and
  - (iv) the representations and warranties of SilverBirch in the Arrangement Agreement, in the Loan Agreement and all related documents delivered to the Purchaser (including the Security) are true and correct as at the date of such advance.
- (d) SilverBirch has agreed that it will, prior to the first advance by the Purchaser under the Loan (and as a condition to the making of such advance) deliver to the Purchaser the following:
- (i) a first fixed and floating charge debenture and such other security, instruments, assurances and supporting documentation as the Purchaser may deem necessary or advisable (collectively, the "**Security**"), such Security to be in form and content satisfactory to the Purchaser (in its sole discretion);
  - (ii) evidence that all registrations in respect of the Security have been made to ensure that all obligations under the Loan Agreement and the Security are secured by first priority liens on the property and assets of SilverBirch; and
  - (iii) a duly executed Loan Agreement, together with such other documents as the Purchaser may request (in its sole discretion).

The Purchaser and Teck have agreed that during the period between January 1, 2012, and the earlier of the termination of the Arrangement Agreement in accordance with its terms or the completion of the Arrangement, any costs incurred by Teck or its affiliates in respect of the Frontier Project or the Equinox Project, other than any cancellation costs incurred by Teck or its affiliates in connection with the previously planned 2012 exploration program in respect of the Frontier Project or the Equinox Project, will be for its own account, and SilverBirch shall not be required to fund its share of such costs. For greater certainty, this shall not limit the obligations of SilverBirch in respect of the previously approved 2011 budget for the Frontier Project and the Equinox Project.

#### ***Sale of SilverWillow or the Spin-Off Assets to a Third Party***

Pursuant to the Arrangement Agreement and subject to the non-solicitation provisions therein, SilverBirch may, prior to the Effective Time, enter into an agreement for the sale of the shares of SilverWillow or all or any portion of the Spin-Off Assets to a third party with the prior written consent of the Purchaser. The Purchaser may withhold such consent upon its

reasonable determination that such sale could reasonably be expected to result in a pre-merger filing under the Competition Act or have any adverse effect on the Arrangement or on SilverBirch or the Purchaser following completion of the Arrangement. Any such sale of SilverWillow or the Spin-Off Assets shall not be completed and closed until after the Effective Time. If SilverBirch or SilverWillow enter into an agreement to sell the shares of SilverWillow or all or any portion of the Spin-Off Assets prior to the Effective Time, SilverWillow shall indemnify SilverBirch for any increase in the tax liability of SilverBirch relating to any increased price for SilverWillow or all or any portion of the Spin-Off Assets in connection with such sale, which agreement to indemnify from SilverWillow will be incorporated as a covenant in the Transfer Agreement.

### **The Transfer Agreement**

*The following is a summary of the material terms of the Transfer Agreement and is subject to, and qualified in its entirety, by the full text of the Transfer Agreement which will be substantially in the form as attached as Schedule D to the Arrangement Agreement which is attached to this Information Circular as Appendix C. SilverBirch Shareholders are urged to read the Transfer Agreement in its entirety.*

The completion of the Arrangement is conditional upon SilverBirch and SilverWillow entering into the Transfer Agreement whereby SilverBirch will transfer all of the Spin-Off Assets to SilverWillow, and SilverWillow will assume the Assumed Liabilities, on the Effective Date.

### **Assumed Liabilities**

SilverWillow will assume, pay, discharge and perform all liabilities and obligations, bonds, indemnities and similar obligations, covenants, contracts, agreements, promises, omissions, guarantees, penalties and judgements of any kind or of any nature whatsoever ("**Liabilities**") attributable to periods after the Closing Date under each of the Spin-Off Leases, and contracts relating to the ownership, operations or development of the Spin-Off Assets entered into in the normal course of the oil and gas business, any Pre-Closing Taxes of SilverBirch, all Transaction Expenses and all other Liabilities of SilverBirch that are not specifically attributable to the Retained Assets, as well as all other Liabilities arising out of ownership or operation of the Spin-Off Assets, whether incurred or arising before or after the Closing Date (collectively, the "**Assumed Liabilities**"). However, SilverWillow will not assume such Assumed Liabilities to the extent that SilverBirch receives any credit for such Assumed Liabilities by way of Retained Cash nor shall SilverWillow assume or have any obligation to pay, discharge, or perform those Liabilities attributable to periods before, on or after the Closing Date relating specifically to or arising specifically with respect to the Retained Assets (including all Environmental and Reclamation Liabilities relating to the Retained Assets), or any Liabilities under the Loan or the Frontier Costs (collectively, the "**Excluded Liabilities**").

### **The Consideration**

As consideration for the transfer of the Spin-Off Assets, SilverWillow will provide to SilverBirch consideration equal to the fair market value of the Spin-Off Assets, payable by the issuance of one fully paid and non-assessable SilverWillow Preferred Share, the issuance of such number of SilverWillow Shares as is equal to the total number of SilverBirch Common Shares held by Teck thirty minutes following the Effective Time minus the number of SilverWillow Shares outstanding immediately prior to the Effective Time, and the assumption of the Assumed Liabilities.

SilverWillow and SilverBirch have agreed that the transfer of the Spin-Off Assets (other than Ineligible Property) will be made pursuant to Section 85 of the Tax Act and the equivalent provisions of any provincial tax legislation. The "agreed amounts" referred to in Section 85 of the Tax Act shall be determined at the discretion of SilverWillow, provided that such agreed amount is within the limitations specified for such agreed amount in Section 85 of the Tax Act or such provincial tax legislation and such agreed amount does not result in a liability for tax of SilverBirch solely as a result of the transfer of such Spin-Off Assets. The sum of (a) the amount by which the aggregate of each "agreed amount" in respect of each property comprising the Spin-Off Assets allocated as consideration for such SilverWillow Preferred Share and which are the subject of an election under Section 85 of the Tax Act exceeds the amount of any Assumed Liabilities allocated to each such property, and (b) the fair market value of any drill core samples, SEGP summary reports, surveyor's ground elevation records, shooter's records, record sections, drill core samples and all shot point maps, seismograph records and tapes, field shot and monitor records and tapes, SEGP survey data and observer's reports, derived profiles from refraction seismic, other seismic electronic data and equivalent reports, data and information for the electromagnetic survey to the extent relating solely to the Spin-Off Lands (the "**Seismic Data**") and the Transferred Working Capital calculated and paid in accordance

with Schedule "B" of the Transfer Agreement (the Transferred Working Capital and the Seismic Data collectively being, the "**Ineligible Property**") will be added to the stated capital account of the SilverWillow Preferred Shares. The sum of (a) the amount by which the aggregate of each "agreed amount" in respect of each property comprising the Spin-Off Assets allocated as consideration for such SilverWillow Shares and which are subject to an election under Section 85 of the Tax Act exceeds the amount of any Assumed Liabilities allocated to each such property, and (b) the fair market value of any Ineligible Property allocated as consideration for such SilverWillow Shares will be added to the stated capital account of the SilverWillow Shares. No Section 85 election will be filed in respect of the Ineligible Property.

The consideration will be allocated among the Spin-Off Assets in the following manner and order:

- (a) The Assumed Liabilities will be allocated first to the Ineligible Property in an amount up to but not exceeding the fair market value of the Ineligible Property on the Closing Date.
- (b) If the amount of the Assumed Liabilities exceeds the aggregate amount of the Assumed Liabilities that are allocated in accordance with (a) above, then such excess Assumed Liabilities shall be allocated amongst the Spin-Off assets (other than Ineligible Property) on a pro rata basis in proportion to the relative fair market value of such Spin-Off Assets (other than Ineligible Property) or in such other manner as SilverWillow may determine in its sole discretion.
- (c) The SilverWillow Preferred Share shall, firstly, be allocated as consideration for the Birch Mountain Leases and the Jordan Leases included in the Spin-Off Leases transferred to SilverWillow to the extent that the fair market value of such properties exceeds the amount, if any, of the Assumed Liabilities allocated to such properties in accordance with (a) and (b) above.
- (d) Any remaining SilverBirch Preferred Share (or fraction thereof) after giving effect to (a) through (c) above shall, secondly, be allocated as consideration for the Ineligible Property transferred to SilverWillow to the extent that the fair market value of such Ineligible Property exceeds the amount, if any, of the Assumed Liabilities allocated to such Ineligible Property in accordance with the provisions in (a) through (c) above.
- (e) Any remaining SilverWillow Preferred Share (or fraction thereof) after giving effect to (a) through (d) above shall, thirdly, be allocated as consideration for any remaining Spin-Off Assets in a manner determined by SilverWillow after the Closing Date, but for greater certainty, only if and to the extent that the fair market value of such remaining Spin-Off Assets exceeds the amount of any other consideration allocable to such Spin-Off Assets in accordance with (a) through (d) above.
- (f) The SilverWillow Shares shall be allocable amongst the Spin-Off Assets in a manner determined by SilverWillow after the Closing Date but for greater certainty, only if and to the extent that the fair market value of such Spin-Off Assets exceeds the amount of any other consideration allocable to such Spin-Off Assets in accordance with (a) through (e) above.

#### ***Agency***

Following the Closing Date until SilverWillow is novated into the agreements and documents to which the Spin-Off Assets are subject, SilverBirch shall act as the agent of SilverWillow as SilverWillow reasonably and lawfully directs. SilverWillow will be liable to SilverBirch for all losses and liabilities suffered, sustained, paid or incurred by SilverBirch and will indemnify and save harmless SilverBirch from and against all claims made against SilverBirch in connection with SilverBirch acting as agent of SilverWillow as contemplated above, except to the extent resulting from the gross negligence or wilful misconduct of SilverBirch.

#### **Shareholder Approval of the Arrangement**

At the Meeting, SilverBirch Shareholders will be asked to consider and, if deemed advisable, approve the Arrangement Resolution in the form attached as Appendix A to this Information Circular. Approval of the Arrangement Resolution requires approval by the Required Vote. See "The Arrangement – Minority Approval".

**In the absence of a contrary instruction, the persons named in the enclosed form of proxy, if named as proxy, intend to vote in favour of the Arrangement Resolution.**

### **Lock-Up Agreements**

Directors and executive officers of SilverBirch, as well as the Major Shareholders, two of SilverBirch's largest shareholders, have each entered into Lock-Up Agreements with the Purchaser and Teck pursuant to which they have agreed, among other things, to support the Arrangement and vote their SilverBirch Common Shares in favour of the Arrangement Resolution. As of February 28, 2012, these directors, executive officers, and the Major Shareholders (together with their associates and affiliates), collectively owned or exercised control or direction over an aggregate of 18,807,384 SilverBirch Common Shares, representing approximately 38 percent of the issued and outstanding SilverBirch Common Shares on an undiluted basis (21,807,384 SilverBirch Common Shares, representing approximately 41 percent on a fully-diluted basis). In addition, Teck owns or exercises control or direction over an aggregate of 4,675,200 SilverBirch Common Shares, representing approximately 9.3 percent of the issued and outstanding SilverBirch Common Shares on an undiluted basis (approximately 8.7 percent on a fully-diluted basis).

### **Minority Approval**

If any director or officer of SilverBirch is entitled to receive a "collateral benefit", as defined in MI 61-101, in connection with the Arrangement, the Arrangement will constitute a "business combination" for purposes of MI 61-101. If the Arrangement constitutes a "business combination", the Arrangement Resolution will require "minority approval" in accordance with MI 61-101. If "minority approval" is required, the Arrangement Resolution will be required to be approved by a majority of the votes cast by the SilverBirch Shareholders, excluding those votes attaching to SilverBirch Common Shares beneficially owned, or over which control or direction is exercised, by the directors and officers of SilverBirch who receive a "collateral benefit" in connection with the Arrangement. This approval is in addition to the requirement that the Arrangement Resolution must be approved by not less than 66⅔ percent of the votes cast by the SilverBirch Shareholders that vote in person or by proxy at the Meeting.

Pursuant to the terms of the executive contracts entered into with each of the officers of SilverBirch, the Arrangement will be considered to be a "change of control" of SilverBirch, which may trigger the payment of certain severance amounts to the officers of SilverBirch. Accordingly, any officers of SilverBirch whose employment is terminated without cause 90 days prior to or after the Effective Date will receive such severance amounts. The receipt of severance amounts under the Change of Control Agreements (as defined below) and the acceleration of unvested SilverBirch Options may be considered to be "collateral benefits" received by the applicable directors and officers of SilverBirch for the purposes of MI 61-101.

Following disclosure by each of the directors and officers to the Independent Committee of the total consideration that they expect to receive pursuant to the Arrangement, the Independent Committee has determined that Mr. Boland who, together with his associates, holds greater than one percent of the SilverBirch Common Shares, will not receive a "collateral benefit", as the value of such benefits represents less than five percent of the value of the consideration that Mr. Boland is beneficially entitled to receive in exchange for the SilverBirch Common Shares beneficially owned by him under the Arrangement.

The Independent Committee has determined that Mr. Lutley and Mr. Bobye may receive a "collateral benefit", as Mr. Lutley and Mr. Bobye, together with their associates, each hold greater than one percent of the SilverBirch Common Shares and the value of such benefits represents greater than five percent of the value of the consideration that they will receive in exchange for their SilverBirch Common Shares under the Arrangement.

Accordingly, the Arrangement may be considered a "business combination" for the purposes of MI 61-101, thereby requiring SilverBirch to obtain "minority approval" of the Arrangement. Pursuant to MI 61-101, in determining whether minority approval for the Arrangement has been obtained, SilverBirch is required to exclude the votes attaching to the SilverBirch Common Shares beneficially owned or controlled by "interested parties" and their "related parties" and "joint actors", all as defined in MI 61-101. MI 61-101 also provides that related parties who receive a collateral benefit are considered to be interested parties. Accordingly, SilverBirch has determined to exclude the votes attaching to the SilverBirch Common Shares beneficially owned or controlled by Mr. Lutley and his related parties and joint actors and Mr. Bobye and his related parties and joint actors for the purpose of determining whether minority approval of the Arrangement has been obtained. To the knowledge of SilverBirch and its directors and senior officers, after reasonable inquiry, as at February 28, 2012, Mr. Lutley and his related parties and joint actors hold, directly or indirectly, or exercise control or direction over, 142,999 SilverBirch Common Shares and 664,000 SilverBirch Options and Mr. Bobye and his related parties and joint actors hold, directly or indirectly, or exercise control or direction over, 95,056 SilverBirch Common Shares and 447,000 SilverBirch Options. As a result, a total of 238,055 SilverBirch Common Shares (approximately 0.5

percent of the issued and outstanding SilverBirch Common Shares as at the date hereof) will be excluded from the "minority approval" vote conducted pursuant to MI 61-101. See "The Arrangement – Interests of Certain Persons in the Arrangement".

### **Court Approval of the Arrangement and Completion of the Arrangement**

The Arrangement requires approval by the Court under Section 192 of the CBCA. Prior to the mailing of this Information Circular, SilverBirch obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. A copy of the Interim Order is attached as Appendix B to this Information Circular.

An application for the Final Order approving the Arrangement is expected to be made on April 2, 2012 at 2:00 p.m. (Calgary time) at the Calgary Courts Centre, 601 – 5<sup>th</sup> Street S.W., Calgary, Alberta. In accordance with the Interim Order, should the Court adjourn the hearing to a later date, notice of the later date will only be given to those interested parties who have filed and delivered a Notice of Intention to Appear in accordance with the Interim Order. Any registered SilverBirch Shareholder or any other interested party who wishes to appear or be represented and to present evidence or arguments must serve and file an appearance as set out in the Notice of Originating Application and satisfy any other requirements of the Court. On the application for the Final Order, the Court will consider, among other things, the fairness of the Arrangement. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit.

Assuming the Final Order is granted and the other conditions in the Arrangement Agreement are satisfied or waived, the Articles of Arrangement will be filed with the Director under the CBCA to give effect to the Arrangement and the various other documents necessary to consummate the transactions contemplated under the Arrangement Agreement will be executed and delivered.

The Final Order, if granted, will constitute the basis for an exemption from the registration requirements of the U.S. Securities Act pursuant to Section 3(a)(10) thereof, with respect to the offer and sale of the SilverWillow Shares issuable to SilverBirch Shareholders pursuant to the Arrangement. The Court will be advised of this effect of the Final Order. See "The Arrangement – United States Securities Law Matters".

Pursuant to Section 192(8) of the CBCA, the Arrangement becomes effective on the date shown on the Certificate of Arrangement issued by the Director.

### **Regulatory Matters**

Neither Teck nor SilverBirch is aware of any material approval or other action by any Governmental Entity that would be required to be obtained prior to the Effective Date, except as described below. If any additional filings or consents are required, such filings or consents will be sought but these additional filings or consents could delay the Effective Date or prevent the completion of the Arrangement.

### ***Competition Act (Canada)***

Part IX of the Competition Act requires that the Commissioner of Competition be notified of certain classes of transactions that exceed the thresholds set out in Sections 109 and 110 of the said Act ("**Notifiable Transactions**") by the parties to the transaction.

Subject to certain limited exceptions, the parties to a Notifiable Transaction cannot complete the transaction until they have submitted the information prescribed pursuant to Subsection 114(1) of the Competition Act to the Commissioner of Competition and the applicable waiting period has expired or been terminated or waived by the Commissioner of Competition. The waiting period is 30 calendar days after the day on which the parties to the transaction submit the prescribed information, provided that, before the expiry of this period, the Commissioner of Competition has not notified the parties that she requires additional information that is relevant to the Commissioner of Competition's assessment of the transaction pursuant to Subsection 114(2) of the Competition Act (a "**Supplementary Information Request**"). In the event that the Commissioner of Competition provides the parties with a Supplementary Information Request, the parties cannot complete their transaction until 30 calendar days after compliance with such Supplementary Information Request, provided that there is no order in effect prohibiting completion at the relevant time. A transaction may be completed before the end of the applicable waiting period if the Commissioner of Competition notifies the parties that she does not, at such time,

intend to challenge the transaction by making an application under Section 92 of the Competition Act to the Competition Tribunal (a "**No Action Letter**") and waives the applicable waiting period.

Alternatively, or in addition to filing the prescribed information, a party to a Notifiable Transaction may apply to the Commissioner of Competition for an advance ruling certificate (an "**ARC**") or, if she is not prepared to issue an ARC, a No Action Letter. A transaction in respect of which an ARC is issued pursuant to Section 102 of the Competition Act is exempt from the notification requirements of Part IX of the Competition Act. Where the Commissioner issues a No Action Letter in lieu of an ARC, she also may waive the notifying parties' obligation to submit a notification if in their ARC request they supplied the Commissioner with information that is substantially similar to the information required in a notification pursuant to Subsection 114(1) and the applicable regulation (a "**Waiver**").

Whether or not a merger is subject to notification under Part IX of the Competition Act, the Commissioner of Competition can apply to the Competition Tribunal for a remedial order under Section 92 of the Competition Act at any time before the merger has been completed or, if completed, within one year after it was substantially completed, provided that the Commissioner of Competition did not issue an ARC in respect of the merger. On application by the Commissioner of Competition under Section 92 of the Competition Act, the Competition Tribunal may, where it finds that the merger prevents or lessens, or is likely to prevent or lessen, competition substantially, order that the merger not proceed or, if completed, order its dissolution or the disposition of some of the assets or shares involved in such merger; in addition to, or in lieu thereof, with the consent of the person against whom the order is directed and the Commissioner of Competition, the Competition Tribunal can order a person to take any other action. The Competition Tribunal cannot, however, issue a remedial order where it finds that the merger or proposed merger has brought or is likely to bring about gains in efficiency that will be greater than, and will offset, the effects of any prevention or lessening of competition that will result or is likely to result from the merger and that the gains in efficiency would not likely be attained if the order were made.

The transactions contemplated by the Arrangement constitute a "merger" and a Notifiable Transaction for the purposes of the Competition Act. Teck and SilverBirch submitted a request for an ARC or, in the alternative a No Action Letter and Waiver to the Commissioner of Competition on January 17, 2012. On February 13, 2012, Teck and SilverBirch received a No Action Letter and Waiver from the Commissioner of Competition, thereby satisfying the Competition Act condition to closing.

#### **Interests of Certain Persons in the Arrangement**

In considering the recommendation of the SilverBirch Board of Directors with respect to the Arrangement, SilverBirch Shareholders should be aware that certain members of SilverBirch's management and the SilverBirch Board of Directors have certain interests in connection with the Arrangement, including those referred to below, that may present them with actual or potential conflicts of interest in connection with the Arrangement. The SilverBirch Board of Directors is aware of these interests and considered them along with the other matters described above in "The Arrangement – Background and Reasons for the Arrangement".

SilverBirch has entered into an executive contract, which includes change of control provisions ("**Change of Control Agreements**"), with each of the officers of SilverBirch, as described further below. SilverBirch also maintains the SilverBirch Option Plan. The subsections that follow generally describe the material effects under the Change of Control Agreements and the SilverBirch Option Plan as they relate to payments and other benefits that will become due to the directors and officers of SilverBirch as a result of completion of the Arrangement, if consummated. For the purposes of the following discussion, where a particular Change of Control Agreement or the SilverBirch Option Plan requires that the director or officer of SilverBirch cease to be engaged or employed by SilverBirch, SilverBirch has assumed that such director or officer has ceased to act in such capacity concurrently with the completion of the Arrangement.

#### ***SilverBirch Common Shares***

Pursuant to the Arrangement, the directors and officers of SilverBirch will receive Cash Consideration and SilverWillow Shares in respect of any SilverBirch Common Shares held by them on the same terms and conditions as the other SilverBirch Shareholders. As at February 28, 2012, the directors and officers of SilverBirch owned an aggregate of 565,219 SilverBirch Common Shares (excluding SilverBirch Common Shares underlying unexercised SilverBirch Options). Pursuant to the Arrangement, the directors and officers of SilverBirch will receive an aggregate of approximately Cdn\$4,804,362 and 565,219 SilverWillow Shares for all of their SilverBirch Common Shares (excluding SilverBirch Common Shares underlying unexercised SilverBirch Options).



### ***Change of Control Agreements***

SilverBirch has entered into a Change of Control Agreement with each of: Howard J. Lutley, Wayne I. Bobye, Susan J. Pain, J. Cameron Bateman, Philip M. Aldred and Jina D. Abells Morissette. As compensation under each Change of Control Agreement, SilverBirch agreed to pay each such individual a minimum base salary and, upon satisfaction of certain criteria, an annual bonus based on a percentage of such base salary. In the event of a change of control prior to September 30, 2012 and upon termination without cause 90 days before or after such change of control, each such individual is entitled to receive a payment equal to one times his or her then current base salary, the average value of any performance bonus paid in the preceding two years and the equivalent value of the annual amount of the benefits available to him or her. Upon the completion of the Arrangement, it is anticipated that Howard J. Lutley, Wayne I. Bobye, Susan J. Pain, J. Cameron Bateman, Philip M. Aldred and Jina D. Abells Morissette will be terminated by SilverBirch in accordance with the terms of the Transfer Agreement and each will receive the following aggregate cash compensation: (a) Howard J. Lutley – Cdn\$715,178, (b) Wayne I. Bobye – Cdn\$467,705, (c) Susan J. Pain – Cdn\$414,744, (d) J. Cameron Bateman – Cdn\$416,828, (e) Philip M. Aldred – Cdn\$417,012 and (f) Jina D. Abells Morissette – Cdn\$450,583.

Pursuant to the Change of Control Agreements, upon the completion of the Arrangement, the officers of SilverBirch would be entitled to collectively receive cash compensation of approximately Cdn\$2,882,050 pursuant to the Change of Control Agreements. See "The Arrangement – Interests of Certain Persons in the Arrangement – Change of Control Payments".

### ***SilverBirch Option Plan***

SilverBirch established the SilverBirch Option Plan for the purpose of allowing SilverBirch to grant SilverBirch Options. Participation under the SilverBirch Option Plan is restricted to directors, officers and employees of SilverBirch and its subsidiaries.

Pursuant to the Arrangement Agreement, the Parties acknowledged that all awards under the SilverBirch Option Plan shall be accelerated thereunder and that upon approval of the Arrangement by the SilverBirch Shareholders, SilverBirch will cause all outstanding SilverBirch Options to vest. All SilverBirch Options must be exercised, terminated or surrendered such that no SilverBirch Options to purchase or receive SilverBirch Common Shares will remain outstanding as of the Effective Date.

The SilverBirch Option Plan provides that all of the outstanding SilverBirch Options become immediately exercisable upon a change of control of SilverBirch in accordance with the terms of such SilverBirch Options and in the SilverBirch Option Plan. In order to facilitate the exercise of all SilverBirch Options prior to the Arrangement becoming effective, the SilverBirch Board of Directors has approved the vesting of all outstanding SilverBirch Options, conditional upon the Effective Time occurring, in order that all outstanding SilverBirch Options shall be fully vested and may be exercised in connection with the Arrangement. Pursuant to the Plan of Arrangement all SilverBirch Options which have not been exercised and which are outstanding as at the Effective Time shall be cancelled and be of no further force and effect. As of February 28, 2012, the directors and officers of SilverBirch held, in aggregate, 3,000,000 SilverBirch Options, 758,333 of which were vested and exercisable as of that date and 2,241,667 of which were unvested and not exercisable as of that date. The outstanding SilverBirch Options held by directors and officers of SilverBirch as at February 28, 2012 had exercise prices ranging from Cdn\$5.66 to Cdn\$8.89 and an aggregate weighted average exercise price of Cdn\$6.41 per SilverBirch Common Share. If the Arrangement is consummated, all of the SilverBirch Options (both vested and unvested) granted to directors and officers of SilverBirch would immediately become exercisable in full upon approval of the Arrangement by SilverBirch Shareholders and conditional upon the Effective Time occurring, and such directors and officers would be entitled to collectively receive (assuming the exercise of all in-the-money SilverBirch Options prior to the Effective Time and the purchase of those underlying SilverBirch Common Shares pursuant to the Arrangement) cash compensation of approximately Cdn\$6,260,150 after deducting the exercise price payable upon exercise of such options and an aggregate of approximately 3,000,000 SilverWillow Shares. See "The Arrangement – Interests of Certain Persons in the Arrangement – Change of Control Payments".

Pursuant to the Plan of Arrangement, all SilverBirch Options which have not been exercised and which are outstanding as at the Effective Time shall be cancelled and be of no further force and effect.

***Change of Control Payments***

The following table summarizes the estimated payments payable to the officers and directors of SilverBirch in connection with a change of control as a result of consummation of the Arrangement.

Name	Position with SilverBirch	Estimated Cash Proceeds with respect to the exercise of all "in-the-money" SilverBirch Options (Cdn\$) <sup>(1)(2)</sup>	Estimated SilverWillow Shares to be issued with respect to the exercise of all "in-the-money" SilverBirch Options <sup>(1)</sup>	Estimated Cash Payment to be made pursuant to Change of Control Agreement (Cdn\$)
<b>Directors</b>				
Gregory A. Boland	Director	\$122,340	59,000	-
Bonnie D. DuPont	Director	\$122,340	59,000	-
Martin R. Frass-Ehrfeld	Director	-	-	-
Donald R. Ingram	Chairman of the Board	\$122,340	59,000	-
Douglas H. Mitchell	Director	\$122,340	59,000	-
Howard J. Lutley	President, Chief Executive Officer and Director	\$1,356,040	664,000	\$715,178
Glen D. Roane	Director	\$122,340	59,000	-
William Watson	Director	\$58,890	59,000	-
<b>Officers</b>				
Wayne I. Boby	Vice President, Chief Financial Officer	\$956,170	447,000	\$467,705
Jina D. Abells Morissette	Vice President, Legal & Administration	\$818,460	386,000	\$450,583
Philip M. Aldred	Vice President, Resources	\$819,630	383,000	\$417,012
J. Cameron Bateman	Vice President, Projects	\$819,630	383,000	\$416,828
Susan J. Pain	Vice President, Finance	\$819,630	383,000	\$414,744

**Notes:**

- (1) SilverBirch Options considered to be "in-the-money" are SilverBirch Options with an exercise price less than Cdn\$9.56, which represents the closing price of the SilverBirch Common Shares on February 27, 2012.
- (2) The cash payment amount is calculated based on Cdn\$8.50 to be paid by Teck pursuant to the Arrangement for each SilverBirch Common Share, less the exercise price for "in-the-money" SilverBirch Options assuming all the "in-the-money" SilverBirch Options are exercised in connection with the Arrangement.

For information with respect to securities of SilverBirch held by directors and officers of SilverBirch, see "Information Concerning SilverBirch – Directors and Officers of SilverBirch and Ownership of Securities of SilverBirch".

***Indemnification of Directors and Officers of SilverBirch***

Pursuant to the Arrangement Agreement, the Purchaser will, or will cause SilverBirch and its subsidiaries to, maintain in effect without any reduction in amount or scope for six years from the Effective Time customary policies of directors' and officers' liability insurance providing protection comparable to the protection provided by the policies maintained by SilverBirch and its subsidiaries that are in effect immediately prior to the Effective Time and providing protection in respect of claims arising from facts or events that occurred on or prior to the Effective Time; provided, however, that the Purchaser and SilverBirch will not be required, in order to maintain such directors' and officers' liability insurance policy, to pay an annual premium in excess of 200 percent of the cost of the existing policies; and provided further that, if equivalent coverage cannot be obtained or can only be obtained by paying an annual premium in excess of 200 percent of such amount, the Purchaser and SilverBirch shall only be required to obtain as much coverage as can be obtained by paying an annual

premium equal to 200 percent of such amount. Furthermore, prior to the Effective Time, SilverBirch may, in the alternative, with the consent of the Purchaser, purchase run off directors' and officers' liability insurance for a period of up to six years from the Effective Time provided that the premiums will not exceed 200 percent of the premiums currently charged to SilverBirch for directors' and officers' liability insurance.

Teck has also agreed in the Arrangement Agreement that it shall directly honour all rights to indemnification or exculpation now existing in favour of present and former officers and directors of SilverBirch and its subsidiaries, except to the extent that such rights are in respect of the Spin-Off Assets.

#### *SilverWillow*

Certain directors, officers and employees of SilverBirch are or will be directors, officers or employees of SilverWillow and will following the completion of the Arrangement receive remuneration for acting in that capacity and may be eligible to participate in the SilverWillow Stock Option Plan. See "Other Matter of Special Business Relating to SilverWillow – Approval of SilverWillow Stock Option Plan".

#### *Financial Advisor Fees*

Pursuant to the terms of the engagement agreements entered into between the Financial Advisors and SilverBirch, each of the Financial Advisors is to be paid certain fees for its services as financial advisor. See "The Arrangement – Opinions of Financial Advisors".

#### **Procedure for Exchange of Share Certificates by SilverBirch Shareholders**

Enclosed with this Information Circular is a Letter of Transmittal which, when properly completed and duly executed and returned together with a certificate or certificates representing SilverBirch Common Shares and all other required documents, will enable each SilverBirch Shareholder (other than Dissenting SilverBirch Shareholders) to obtain the Cash Consideration as well as the SilverWillow Shares that such holder is entitled to receive under and following completion of the Arrangement. See "The Arrangement – Arrangement Mechanics".

Only registered SilverBirch Shareholders are required to submit a Letter of Transmittal. **Beneficial SilverBirch Shareholders whose SilverBirch Common Shares are registered in the name of an intermediary (a bank, trust company, securities broker, trustee or other) should contact that intermediary for instructions and assistance in delivering share certificates representing those SilverBirch Common Shares.**

On and after the Effective Time, all certificates that represented SilverBirch Common Shares immediately prior to the Effective Time will cease to represent any rights with respect to SilverBirch Common Shares and will only represent the right to receive the consideration and other property under the Arrangement or, in the case of Dissenting SilverBirch Shareholders, the right to receive fair value for their SilverBirch Common Shares. Registered SilverBirch Shareholders who do not forward to the Depository a validly completed and duly signed Letter of Transmittal, together with their SilverBirch Common Share certificate(s), will not receive the consideration and other property to which they are otherwise entitled until such deposit is made. No dividends or other distributions, if any, in respect of SilverWillow Shares declared after the Effective Time and payable to holders of record after the Effective Time, will be paid to the holders of any unsurrendered certificates formerly representing SilverBirch Common Shares until the certificates representing SilverBirch Common Shares are surrendered and delivered as provided in the Arrangement. Subject to applicable Law, after a former SilverBirch Shareholder of record surrenders and exchanges the certificates representing SilverBirch Common Shares, that holder will be entitled to receive any such dividends or distributions of SilverWillow declared after the Effective Time and prior to the exchange of the certificates representing SilverBirch Common Shares, without interest, which will have become payable with respect to the number of SilverWillow Shares to which the holder is entitled.

**Any use of mail to transmit certificate(s) for SilverBirch Common Shares and the related Letter of Transmittal is at the risk of the holder. If these documents are mailed, it is recommended that registered mail, with return receipt requested, properly insured, be used.**

A cheque in the amount payable to the former SilverBirch Shareholder and certificates representing the appropriate number of SilverWillow Shares issuable to a former SilverBirch Shareholder who has complied with the procedures set forth above will, as soon as practicable after the later of the Effective Date and the date of deposit with the Depository of a duly

completed Letter of Transmittal and the certificate or certificates formerly representing SilverBirch Common Shares or other documentation as provided for in the Letter of Transmittal, be delivered by the Depositary to such former SilverBirch Shareholder.

Under no circumstances will interest accrue or be paid by SilverBirch, Teck, the Purchaser, SilverWillow or the Depositary on the Cash Consideration to persons depositing SilverBirch Common Shares, regardless of any delay in making such payment.

The Depositary will act as the agent of persons who have deposited SilverBirch Common Shares pursuant to the Arrangement for the purpose of receiving consideration and other property under the Arrangement and transmitting it to such persons, and receipt of such consideration and other property under the Arrangement by the Depositary will be deemed to constitute receipt by persons depositing SilverBirch Common Shares.

Where a certificate for SilverBirch Common Shares has been destroyed, lost or stolen, the registered holder of that certificate should immediately contact the Depositary by telephone at 416-361-0152 (toll-free 1-866-393-4891), or by e-mail at [investor@equityfinancialtrust.com](mailto:investor@equityfinancialtrust.com), or by mail, hand or courier at Attn: Investor Services, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1 regarding the issuance of a replacement certificate upon the holder satisfying the requirements of SilverBirch and their registrar and transfer agent, Equity Financial Trust Company, relating to replacement certificates. See Instruction 8 to the Letter of Transmittal.

**Beneficial SilverBirch Shareholders whose SilverBirch Common Shares are registered in the name of an intermediary (a bank, trust company, securities broker, trustee or other) should contact that intermediary for instructions and assistance in delivering share certificates representing those SilverBirch Common Shares.**

#### **Cancellation of Rights after Five Years**

Any certificate which immediately before the Effective Time represented SilverBirch Common Shares and has not been surrendered, with all other documents required by the Depositary, on or before the fifth anniversary of the Effective Date, will cease to represent any claim or interest of any kind or nature against SilverBirch, Teck, the Purchaser, SilverWillow or the Depositary. **Accordingly, persons who tender certificates for SilverBirch Common Shares after the fifth anniversary of the Effective Date will not be paid any cash or other compensation.**

#### **Stock Exchange Listings**

##### *SilverBirch Common Shares*

The SilverBirch Common Shares are listed on the TSX-V. Following the Effective Date of the Arrangement, the SilverBirch Common Shares will be delisted from the TSX-V.

##### *SilverWillow Shares*

SilverWillow has applied to list the SilverWillow Shares issuable pursuant to the Arrangement on the TSX-V (Tier 2). The TSX-V has conditionally accepted the listing of the SilverWillow Shares. Listing is subject to SilverWillow fulfilling all of the requirements of the TSX-V. If listing approval is ultimately obtained, trading in the SilverWillow Shares is expected to commence concurrently with the delisting of the SilverBirch Common Shares from the TSX-V.

#### **Qualified Investment Status for Deferred Plans**

Provided the SilverWillow Shares are listed on a designated stock exchange (which currently includes the TSX-V (Tiers 1 and 2)) at the time of acquisition, or the SilverWillow Shares are listed on a designated stock exchange in Canada shortly after the Effective Date and SilverWillow elects to be a "public corporation" for purposes of the Tax Act from the commencement of its first taxation year, the SilverWillow Shares will be qualified investments under the Tax Act for Deferred Plans.

Notwithstanding that the SilverWillow Shares may be a qualified investment for a TFSA, an RRSP or an RRIF, the holder of a TFSA or the annuitant of an RRSP or RRIF will be subject to a penalty tax in respect of such shares held in the TFSA, RRSP or RRIF, as the case may be, if such shares are a "prohibited investment" within the meaning of the Tax Act. The

SilverWillow Shares will generally be a "prohibited investment" if the holder of the TFSA or the annuitant of the RRSP or RRIF does not deal at arm's length with SilverWillow for purposes of the Tax Act or has a "significant interest", within the meaning of the Tax Act, in SilverWillow or in a corporation, partnership or trust with which SilverWillow does not deal at arm's length for the purposes of the Tax Act. **SilverBirch Shareholders are advised to consult their own advisors in this regard.**

## **Canadian Securities Law Matters**

### ***Resale of SilverWillow Shares Received in the Arrangement***

The SilverWillow Shares to be issued to SilverBirch Shareholders pursuant to the Arrangement will be issued in reliance on exemptions from the prospectus requirements of applicable Securities Laws and will generally not be subject to any resale restrictions under applicable Securities Laws (provided the conditions set out in Subsection 2.6(3) of National Instrument 45-102 – *Resale of Securities*, are satisfied). Shareholders should consult with their own financial and legal advisors with respect to the tradability of SilverWillow Shares received on completion of the Arrangement.

### ***Judicial Developments***

The Plan of Arrangement will be implemented pursuant to Section 192 of the CBCA which provides that, where it is not practicable for a corporation to effect a fundamental change in the nature of an arrangement under any other provisions of the CBCA, a corporation may apply to the Court for an order approving the arrangement proposed by such corporation. Pursuant to this section of the CBCA, such an application will be made by SilverBirch for approval of the Arrangement. Although there have been a number of judicial decisions considering this section and applications to various arrangements, there have not been, to the knowledge of SilverBirch, any recent significant decisions which would apply in this instance. **SilverBirch Shareholders should consult their legal advisors with respect to the legal rights available to them in relation to the Arrangement.**

## **United States Securities Law Matters**

### ***Status Under U.S. Securities Laws***

At the time of the Arrangement, SilverWillow will be a "foreign private issuer" as defined in Rule 3b-4 under the U.S. Exchange Act. SilverWillow does not currently intend to seek a listing for the SilverWillow Shares on a stock exchange in the United States.

### ***Exemption from the Registration Requirements of the U.S. Securities Act***

The SilverWillow Shares to be issued to SilverBirch Shareholders in exchange for their securities pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act. Such securities will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof. Section 3(a)(10) exempts securities issued in exchange for one or more outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of the securities have been approved by any court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear and receive timely notice thereof. The Court is authorized to conduct such a hearing, and will conduct a hearing to consider the fairness of the terms and conditions of the Arrangement. The Court granted the Interim Order on February 28, 2012 and, subject to the approval of the Arrangement by the SilverBirch Shareholders, a hearing on the Arrangement will be held by the Court on April 2, 2012. See "The Arrangement – Court Approval of the Arrangement and Completion of the Arrangement".

### ***Resale of the SilverWillow Shares Within the United States After the Completion of the Arrangement***

The SilverWillow Shares issuable to SilverBirch Shareholders following completion of the Arrangement will be freely transferable under U.S. federal securities laws, except by persons who are "affiliates" of SilverWillow after the Arrangement. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer.

Persons who are affiliates of SilverWillow after the completion of the Arrangement may not sell the SilverWillow Shares that they receive in connection with the Arrangement in the absence of registration under the U.S. Securities Act, unless an exemption from registration is available, such as the exemptions contained in Rule 144 or Rule 904 of Regulation S under the U.S. Securities Act.

#### *Affiliates – Rule 144*

In general, under Rule 144, persons who are affiliates of SilverWillow after the completion of the Arrangement will be entitled to sell in the United States, during any three-month period, the SilverWillow Shares that they receive in connection with the Arrangement, provided that the number of such securities sold does not exceed the greater of one percent of the then outstanding securities of such class or, if such securities are listed on a United States securities exchange and/or reported through the automated quotation system of a U.S. registered securities association, the average weekly trading volume of such securities during the four calendar week period preceding the date of sale, subject to specified restrictions on manner of sale, requirements, aggregation rules and the availability of current public information about SilverWillow. Persons who are affiliates of SilverWillow after the completion of the Arrangement will continue to be subject to the resale restrictions described in this paragraph for so long as they continue to be affiliates of SilverWillow.

#### *Affiliates – Regulation S*

In general, under Regulation S, persons who are affiliates of SilverWillow solely by virtue of their status as an officer or director of SilverWillow may sell their SilverWillow Shares outside the United States in an "offshore transaction" if neither the seller, an affiliate nor any person acting on its behalf engages in "directed selling efforts" in the United States and provided that no selling commission, fee or other remuneration is paid in connection with such sale other than the usual and customary broker's commission that would be received by a person executing such transaction as agent. For purposes of Regulation S "directed selling efforts" means "any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered". Also, under Regulation S, an "offshore transaction" includes an offer that is not made to a person in the United States where either (a) at the time the buy order is originated, the buyer is outside the United States or the seller reasonably believes that the buyer is outside of the United States; or (b) the transaction is executed in, on or through the facilities of a designated offshore securities market (which would include a sale through the TSX-V, if applicable). Certain additional restrictions, set forth in Rule 903 of Regulation S, are applicable to sales outside the United States by a holder of SilverWillow Shares who is an affiliate of SilverWillow after the completion of the Arrangement other than by virtue of his or her status as an officer or director of SilverWillow.

The foregoing discussion is only a general overview of certain requirements of United States federal securities laws applicable to the resale of SilverWillow Shares received upon completion of the Arrangement. **All holders of such SilverWillow Shares are urged to consult with counsel to ensure that the resale of their SilverWillow Shares complies with applicable securities legislation.**

#### **Expenses**

The combined estimated fees, costs and expenses of SilverBirch and SilverWillow in connection with the Arrangement including, without limitation, payments to officers of SilverBirch under the Change of Control Agreements, severance payments to employees of SilverBirch, Financial Advisors' fees, filing fees, legal and accounting fees and printing and mailing costs are estimated to be approximately Cdn\$8.8 million.

#### **RISK FACTORS**

SilverBirch Shareholders should understand that if the Arrangement is approved at the Meeting, SilverBirch Shareholders (other than Dissenting SilverBirch Shareholders) will receive, in addition to cash, SilverWillow Shares. Accordingly, a former SilverBirch Shareholder will become a shareholder of SilverWillow and will be subject to all of the risks associated with the business and operations of SilverWillow and the industry in which such corporation will operate. Those risks include the factors affecting forward-looking statements described in this Information Circular, including the risk factors set forth under the headings "Forward-Looking Statements" and "Risk Factors" in this Information Circular and the risk factors relating to SilverWillow set forth in Appendix G – Information Concerning SilverWillow, under the headings "Forward-Looking Statements" and "Risk Factors".

In assessing the Arrangement, SilverBirch Shareholders should carefully consider the risks described in the SilverBirch AIF, together with other information contained or incorporated by reference in this Information Circular, including the disclosure relating to SilverWillow set forth in Appendix G – Information Concerning SilverWillow, under the headings "Forward Looking Statements" and "Risk Factors". Additional risks and uncertainties, including those currently unknown to or considered immaterial by SilverBirch may also adversely affect the business of SilverBirch and SilverWillow going forward. In particular, the Arrangement and the operations of SilverWillow are subject to certain risks including the risks set forth below.

## **Risks Related to the Arrangement**

### ***Termination of the Arrangement Agreement***

The Arrangement Agreement may be terminated by SilverBirch or the Purchaser in certain circumstances. Accordingly, there is no certainty, nor can SilverBirch provide any assurance, that the Arrangement Agreement will not be terminated by either SilverBirch or the Purchaser before the completion of the Arrangement. Failure to complete the Arrangement could materially negatively impact the trading price of the SilverBirch Common Shares. Moreover, if the Arrangement Agreement is terminated, there is no assurance that the SilverBirch Board of Directors will be able to find a party willing to pay an equivalent or a more attractive price for SilverBirch Common Shares than the price to be paid pursuant to the terms of the Arrangement Agreement.

### ***Conditions Precedent and Requirement for Regulatory and Third Party Approvals***

There can be no certainty that all conditions precedent to the Arrangement will be satisfied or waived, nor can there be any certainty of the timing of their satisfaction or waiver. The completion of the Arrangement is subject to a number of conditions precedent, some of which are outside of the control of SilverBirch, the Purchaser and/or Teck, including the approval of the SilverBirch Shareholders, receipt of Regulatory Approvals and approval from the Court. There is no certainty, nor can SilverBirch provide any assurance, that these conditions will be satisfied. If for any reason the Arrangement is not completed, the market price of SilverBirch Common Shares may be adversely affected. Moreover, a substantial delay in obtaining satisfactory approvals could adversely affect the business, financial condition or results of operations of SilverBirch or result in the Arrangement not being completed. Certain jurisdictions may claim jurisdiction under their competition or antitrust laws in respect of acquisitions or mergers that may potentially affect their domestic marketplace. Although SilverBirch does not currently anticipate that there will be any investigation or proceeding in any jurisdiction that would have a material impact on the completion of the Arrangement, there is no assurance that such investigation or proceeding, whether by governmental authority or private party, will not be initiated nor, if initiated, will not materially adversely affect the completion of the Arrangement.

### ***Failure to Achieve Stock Exchange Listing for SilverWillow Shares***

SilverWillow has applied to list the SilverWillow Shares issuable pursuant to the Arrangement on the TSX-V (Tier 2). The TSX-V has conditionally accepted the listing of the SilverWillow Shares. Listing is subject to SilverWillow fulfilling all of the requirements of the TSX-V. There can be no assurance that the TSX-V will list the SilverWillow Shares. A failure to list the SilverWillow Shares on the TSX-V or another designated stock exchange could result in a determination that the SilverWillow Shares are not qualified investments under the Tax Act for Deferred Plans and would likely render such shares "taxable Canadian property" for purposes of the Tax Act. See "The Arrangement – Stock Exchange Listings – SilverWillow Shares".

See also "Tax Considerations to SilverBirch Shareholders – SilverBirch Shareholders Not Resident in Canada – Dispositions of SilverWillow Shares" and Appendix G – Information Concerning SilverWillow – "Risk Factors – No Prior Public Market for the SilverWillow Shares".

### ***SilverWillow Risks Relating to the Arrangement***

The estimated working capital of SilverWillow upon completion of the Arrangement is inherently difficult to calculate and dependent upon assumptions such as future results of SilverBirch operations to the date of calculation, costs of the Arrangement and other factors. The actual working capital amount at the close of the Arrangement may be materially different than the current estimate and such a difference could have a material adverse effect on the financial position of

SilverWillow and its ability to fund its exploration, evaluation and development program relating to the Spin-Off Assets. See Appendix G – Information Concerning SilverWillow – "Risk Factors – Risks Related to the Arrangement".

***Under U.S. federal tax rules, SilverWillow may be classified as a PFIC, which would result in special and generally unfavourable U.S. federal tax consequences to U.S. Holders.***

As a non-U.S. corporation, SilverWillow may be a PFIC depending on the percentage of its gross income which is "passive", within the meaning of the U.S. Internal Revenue Code, or the percentage of its assets that produce or are held to produce passive income. SilverWillow believes that it will be a PFIC in the 2012 taxable year and in subsequent taxable years. If SilverWillow is a PFIC for any taxable year during a U.S. Holder's holding period in SilverWillow Shares, such U.S. Holder may be subject to increased U.S. federal income tax liability on the sale of such SilverWillow Shares or on the receipt of dividends. The PFIC rules are complex. U.S. Holders are urged to consult their own tax advisors concerning the application of the PFIC rules to their investment in SilverWillow Shares. The effect of these rules on a U.S. Holder's ownership of SilverWillow Shares is discussed below in "Tax Considerations to SilverBirch Shareholders – Certain United States Federal Income Tax Considerations."

## **TAX CONSIDERATIONS TO SILVERBIRCH SHAREHOLDERS**

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

In the opinion of Torys LLP, Canadian tax counsel to SilverBirch and SilverWillow, the following is, as of the date of this Information Circular, a summary of the principal Canadian federal income tax considerations relating to the Arrangement under the Tax Act generally applicable to SilverBirch Shareholders who, for purposes of the Tax Act, and at all relevant times, hold their SilverBirch Common Shares, and will hold their SilverBirch Class A Shares, SilverBirch Class B Shares, and SilverWillow Shares, as capital property and deal at arm's length with SilverBirch, SilverWillow, the Purchaser and Teck and are not affiliated with SilverBirch, SilverWillow, the Purchaser or Teck. This summary does not apply to: (i) a SilverBirch Shareholder that is a "financial institution", for the purposes of the mark-to-market rules in the Tax Act, (ii) a SilverBirch Shareholder an interest in which is a "tax shelter investment" as defined in the Tax Act, (iii) a SilverBirch Shareholder that is a "specified financial institution" as defined in the Tax Act, or (iv) a SilverBirch Shareholder that has made an election to report its "Canadian tax results" (as defined in the Tax Act) in a currency other than Canadian currency. Any such SilverBirch Shareholder should consult its own tax advisor with respect to the Arrangement.

This summary does not address the tax consequences of the Arrangement to SilverBirch Shareholders who acquired their SilverBirch Common Shares on the exercise of an option. Such SilverBirch Shareholders should consult their own tax advisers.

SilverBirch Common Shares, SilverBirch Class A Shares, SilverBirch Class B Shares, and SilverWillow Shares will generally be considered to be capital property to a SilverBirch Shareholder unless such securities are held in the course of carrying on a business of trading or dealing in securities, or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade. Certain SilverBirch Shareholders who are residents of Canada for purposes of the Tax Act and whose SilverBirch Common Shares, SilverBirch Class A Shares, SilverBirch Class B Shares or SilverWillow Shares might not otherwise qualify as capital property, may be entitled to make an irrevocable election in accordance with Subsection 39(4) of the Tax Act to have their SilverBirch Common Shares, SilverBirch Class A Shares, SilverBirch Class B Shares, and SilverWillow Shares and every "Canadian security" (as defined in the Tax Act) owned by such SilverBirch Shareholder in the taxation year of the election, and in all subsequent taxation years, deemed to be capital property. This election is not available for any SilverBirch Common Shares that were acquired by a SilverBirch Shareholder as a "flow-through share" for the purposes of the Tax Act. SilverBirch Shareholders who do not hold their SilverBirch Common Shares as capital property or who will not hold their SilverBirch Class A Shares, SilverBirch Class B Shares or SilverWillow Shares as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is based on the current provisions of the Tax Act and counsel's understanding of the published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA") publicly available prior to the date of this Information Circular. This summary takes into account all proposed amendments to the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof ("**Proposed Amendments**") and assumes that such Proposed Amendments will be enacted substantially as proposed. However, no assurance can be given that such Proposed Amendments will be enacted in the form proposed, or at all.



Except for the Proposed Amendments, this summary does not take into account or anticipate any other changes in law or any changes in the CRA's administrative policies and assessing practices, whether by legislative, regulatory, administrative or judicial action or decision, nor does it take into account or consider other federal or any provincial, territorial or foreign tax legislation or considerations, which may differ from the Canadian federal income tax considerations described herein.

This summary assumes that the SilverWillow Shares will be listed on a designated stock exchange for the purposes of the Tax Act (which includes the TSX-V (Tiers 1 and 2)) as of the Effective Time.

**This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular SilverBirch Shareholder. This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to the Arrangement and/or the holding of SilverWillow Shares. SilverBirch Shareholders should consult their own tax advisors as to the tax consequences to them of the Arrangement and the holding of SilverWillow Shares, having regard to their own particular circumstances.**

#### *SilverBirch Shareholders Resident in Canada*

The following section of the summary is generally applicable to a SilverBirch Shareholder who, for the purposes of the Tax Act and any applicable income tax treaty, is or is deemed to be resident in Canada at all relevant times.

#### *Exchange of SilverBirch Common Shares for SilverBirch Class A Shares and SilverBirch Class B Shares*

A SilverBirch Shareholder will not realize a capital gain (or a capital loss) as a result of the exchange of a SilverBirch Common Share for a SilverBirch Class A Share and a SilverBirch Class B Share. The adjusted cost base of the SilverBirch Common Shares held by the SilverBirch Shareholder will be apportioned between the SilverBirch Class A Share and the SilverBirch Class B Share received upon the exchange in proportion to the fair market value of such shares immediately after the exchange. Management of SilverBirch is of the view that each SilverBirch Class A Share will have a fair market value equal to the Cash Consideration and that each SilverBirch Class B Share will have a fair market value equal to the fair market value of a SilverWillow Share. This determination of value is not binding on the CRA and it is possible that the CRA could take a contrary view. Counsel expresses no opinion on such matters of factual determination.

SilverBirch does not intend to make a joint election under Section 85 of the Tax Act with any SilverBirch Shareholder (other than possibly Purchaser or Teck) in respect of the exchange of a SilverBirch Common Share for a SilverBirch Class A Share and a SilverBirch Class B Share.

#### *Exchange of SilverBirch Class A Shares for Cash Consideration*

A SilverBirch Shareholder who exchanges SilverBirch Class A Shares for Cash Consideration will be considered to have disposed of such SilverBirch Class A Shares for proceeds of disposition equal to the Cash Consideration received on the exchange. As a result, the SilverBirch Shareholder will generally realize a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base to the SilverBirch Shareholder of such SilverBirch Class A Shares (with such adjusted cost base being computed as described above under the heading "Tax Considerations to SilverBirch Shareholders – Certain Canadian Federal Income Tax Considerations – SilverBirch Shareholders Resident in Canada – Exchange of SilverBirch Common Shares for SilverBirch Class A Shares and SilverBirch Class B Shares"). For a description of the tax treatment of capital gains and losses, see "Tax Considerations to SilverBirch Shareholders – Certain Canadian Federal Income Tax Considerations – SilverBirch Shareholders Resident in Canada – Taxation of Capital Gains or Capital Losses" below.

#### *Transfer of SilverBirch Class B Shares to SilverWillow for SilverWillow Shares*

Upon the transfer by a SilverBirch Shareholder of a SilverBirch Class B Share to SilverWillow for a SilverWillow Share, the SilverBirch Shareholder will, unless the SilverBirch Shareholder chooses to recognize a capital gain or a capital loss on the exchange as described in the following paragraph, be deemed to have disposed of such SilverBirch Class B Share for proceeds of disposition equal to the SilverBirch Shareholder's adjusted cost base thereof (with such adjusted cost base being computed as described above under the heading "Tax Considerations to SilverBirch Shareholders – Certain Canadian Federal Income Tax Considerations – SilverBirch Shareholders Resident in Canada – Exchange of SilverBirch Common Shares for SilverBirch Class A Shares and SilverBirch Class B Shares"), provided that the SilverBirch Shareholder deals at arm's length with SilverWillow immediately before the transfer and provided that following the transfer, that SilverBirch

Shareholder and/or persons not dealing at arm's length with that SilverBirch Shareholder did not control SilverWillow or beneficially own shares representing more than 50 percent of the value of all outstanding shares of SilverWillow.

Such SilverBirch Shareholder would therefore neither recognize a capital gain nor a capital loss in respect of the disposition and would be deemed to acquire their SilverWillow Shares at an aggregate cost which is equal to the aggregate adjusted cost base of their SilverBirch Class B Shares.

Notwithstanding the foregoing, upon a transfer of a SilverBirch Class B Share to SilverWillow for a SilverWillow Share, a SilverBirch Shareholder may, if such SilverBirch Shareholder so chooses, recognize a capital gain (or a capital loss) in respect of such disposition by reporting the same in the SilverBirch Shareholder's income tax return for the taxation year during which the disposition occurred. Such capital gain (or a capital loss) will be equal to the amount by which the fair market value of the SilverWillow Shares received exceeds (or is exceeded by) the aggregate of the adjusted cost base of the SilverBirch Class B Shares exchanged and any reasonable costs of making the disposition. For a description of the tax treatment of capital gains and losses, see "Tax Considerations to SilverBirch Shareholders – Certain Canadian Federal Income Tax Considerations – SilverBirch Shareholders Resident in Canada – Taxation of Capital Gains or Capital Losses" below. In such circumstances, the cost of the SilverWillow Shares acquired will be equal to the fair market value thereof.

SilverWillow does not intend to make a joint election under Section 85 of the Tax Act with any SilverBirch Shareholder (other than possibly the Purchaser) in respect of the exchange of a SilverBirch Class B Share for a SilverWillow Share.

#### *Disposition of SilverWillow Shares*

A disposition or deemed disposition of SilverWillow Shares by a holder will generally result in a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base to the holder of those SilverWillow Shares immediately before the disposition. For a description of the tax treatment of capital gains and losses, see "Tax Considerations to SilverBirch Shareholders – Certain Canadian Federal Income Tax Considerations – SilverBirch Shareholders Resident in Canada – Taxation of Capital Gains or Capital Losses" below.

#### *Dividends on SilverWillow Shares*

In the case of a SilverBirch Shareholder who is an individual (other than certain trusts), dividends received or deemed to be received on the SilverWillow Shares generally will be included in computing the SilverBirch Shareholder's income and subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations (as defined in the Tax Act). Taxable dividends received on the SilverWillow Shares by SilverBirch Shareholders who are individuals resident in Canada for purposes of the Tax Act generally will be eligible for an enhanced gross-up and dividend tax credit if SilverWillow designates such dividends to be "eligible dividends" for purposes of the Tax Act.

Dividends received or deemed to be received on SilverWillow Shares by a SilverBirch Shareholder that is a corporation will be included in computing the corporation's income and normally will be deductible in computing its taxable income to the extent and in the circumstances provided in the Tax Act. In some circumstances, the amount of such dividend may be treated as proceeds of disposition of the SilverWillow Shares or a capital gain, and not as a dividend. The taxation of capital gains and capital losses is described below under the heading "Tax Considerations to SilverBirch Shareholders – Certain Canadian Federal Income Tax Considerations – SilverBirch Shareholders Resident in Canada – Taxation of Capital Gains or Capital Losses".

A SilverBirch Shareholder that is a "private corporation", as defined in the Tax Act, or any other corporation resident in Canada and controlled or deemed to be controlled by or for the benefit of an individual (other than a trust) or a "related group", as defined in the Tax Act, of individuals (other than trusts) may be liable to pay a refundable tax under Part IV of the Tax Act of 33½ percent of any dividends received or deemed to be received on SilverWillow Shares to the extent that such dividends are deductible in computing the SilverBirch Shareholder's taxable income.

Taxable dividends received by an individual (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

### *Taxation of Capital Gains or Capital Losses*

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a holder in a taxation year must be included in the holder's income for the year, and one-half of any capital loss (an "**allowable capital loss**") realized by a holder in a taxation year must be deducted from taxable capital gains realized by the holder in that year (subject to and in accordance with rules contained in the Tax Act). Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

A holder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 6 $\frac{2}{3}$  percent on its "aggregate investment income" (as defined in the Tax Act), including any taxable capital gains.

If the holder of a SilverBirch Common Share or a SilverWillow Share is a corporation, the amount of any capital loss realized on a disposition or deemed disposition of such share may be reduced by the amount of dividends received or deemed to have been received by it on such share (and in certain circumstances a share exchanged for such share) to the extent and under circumstances described in the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns such shares or where a trust or partnership of which a corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns any such shares.

Capital gains realized by individuals (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

Holders to whom these rules may be relevant should consult their own tax advisors.

### *Dissenting SilverBirch Shareholders*

A Dissenting SilverBirch Shareholder will be entitled, if the Arrangement becomes effective, to be paid by Teck the fair value of the SilverBirch Common Shares held by such Dissenting SilverBirch Shareholder.

A Dissenting SilverBirch Shareholder who receives a cash payment in respect of the fair value of the Dissenting SilverBirch Shareholder's SilverBirch Common Shares will generally be considered to have disposed of the SilverBirch Common Shares for proceeds of disposition equal to the amount received by the Dissenting SilverBirch Shareholder (other than any interest awarded by a court). As a result, such Dissenting SilverBirch Shareholder will realize a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base to the Dissenting SilverBirch Shareholder of the SilverBirch Common Shares immediately before the disposition. For a description of the tax treatment of capital gains and losses, see "Tax Considerations to SilverBirch Shareholders – Certain Canadian Federal Income Tax Considerations – SilverBirch Shareholders Resident in Canada – Taxation of Capital Gains or Capital Losses" above.

Interest awarded to a Dissenting SilverBirch Shareholder by a court will be included in the Dissenting SilverBirch Shareholder's income for the purposes of the Tax Act. In addition, a Dissenting SilverBirch Shareholder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 6 $\frac{2}{3}$  percent on its "aggregate investment income" (as defined in the Tax Act), including interest income.

Additional income tax considerations may be relevant to Dissenting SilverBirch Shareholders who fail to perfect or withdraw their claims pursuant to the right of dissent. Dissenting SilverBirch Shareholders should consult their own tax advisors.

### *SilverBirch Shareholders Not Resident in Canada*

The following section of the summary is applicable to a SilverBirch Shareholder who, for the purposes of the Tax Act and any applicable income tax treaty and at all relevant times, is not, and is not deemed to be, resident in Canada and does not, and is not deemed to, use or hold SilverBirch Common Shares or SilverWillow Shares received pursuant to the Arrangement in connection with, carrying on a business in Canada and is not an insurer who carries on an insurance

business or is deemed to carry on an insurance business in Canada and elsewhere (in this section, a "**Non-Resident Shareholder**").

#### *Disposition of SilverBirch Common Shares*

A Non-Resident Shareholder who holds SilverBirch Common Shares that are not "taxable Canadian property" (as defined in the Tax Act) will not be subject to tax under the Tax Act on the disposition of such SilverBirch Common Shares. Generally, SilverBirch Common Shares will not be taxable Canadian property of a Non-Resident Shareholder at a particular time provided that the SilverBirch Common Shares are listed on a designated stock exchange (which includes the TSX-V) at that time, unless: (i) at any time during the sixty-month period immediately preceding the disposition of the SilverBirch Common Shares by such Non-Resident Shareholder, the Non-Resident Shareholder, persons not dealing at arm's length with such Non-Resident Shareholder, or the Non-Resident Shareholder together with all such persons, owned 25 percent or more of the issued shares of any class or series of the capital stock of SilverBirch; or (ii) the Non-Resident Shareholder's SilverBirch Common Shares were acquired in certain types of tax deferred exchanges in consideration for property that was itself taxable Canadian property.

If a Non-Resident Shareholder disposes of SilverBirch Common Shares that are taxable Canadian property, the disposition will give rise to a capital gain or capital loss in the same manner as described above under the heading "Tax Considerations to SilverBirch Shareholders – Certain Canadian Federal Income Tax Considerations – SilverBirch Shareholders Resident in Canada – Taxation of Capital Gains or Capital Losses". Any such capital gain will be subject to tax under the Tax Act, subject to potential relief under an applicable income tax treaty. Such a Non-Resident Shareholder may be required to file a Canadian federal income tax return and should consult his or her own advisor. Under the terms of the Canada-United States Income Tax Convention, 1980 (the "**Canada-U.S. Treaty**"), relief is generally not available with respect to any gain realized on the disposition of SilverBirch Common Shares that are taxable Canadian property.

#### *Disposition of SilverWillow Shares*

A Non-Resident Shareholder who holds SilverWillow Shares that are not "taxable Canadian property" (as defined in the Tax Act) will not be subject to tax under the Tax Act on the disposition of such SilverWillow Shares.

Generally, SilverWillow Shares will not be taxable Canadian property of a Non-Resident Shareholder at a particular time provided that the SilverWillow Shares are listed on a designated stock exchange (which includes the TSX-V (Tiers 1 and 2)) at that time, unless: (i) at any time during the sixty-month period immediately preceding the disposition of the SilverWillow Shares by such Non-Resident Shareholder, the Non-Resident Shareholder, persons not dealing at arm's length with such Non-Resident Shareholder, or the Non-Resident Shareholder together with all such persons, owned 25 percent or more of the issued shares of any class or series of the capital stock of SilverWillow, and (ii) at such time more than 50 percent of the fair market value of the SilverWillow Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act), and options in respect of, or interests in, or for civil Law rights in, any such properties (whether or not such property exists). Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, SilverWillow Shares could be deemed to be taxable Canadian property of the Non-Resident Shareholder.

If a Non-Resident Shareholder disposes of SilverWillow Shares that are taxable Canadian property, the disposition will give rise to a capital gain or capital loss in the same manner as described above under the heading "Tax Considerations to SilverBirch Shareholders – Certain Canadian Federal Income Tax Considerations – SilverBirch Shareholders Resident in Canada – Taxation of Capital Gains or Capital Losses". Any such capital gain will be subject to tax under the Tax Act, subject to potential relief under an applicable income tax treaty. Such a Non-Resident Shareholder may be required to file a Canadian federal income tax return and should consult his or her own advisor. Under the terms of the Canada-U.S. Treaty, relief is generally not available with respect to any gain realized on the disposition of SilverWillow Shares that are taxable Canadian property, assuming that their value continues to be derived principally from Canadian resource properties (as defined in the Tax Act).

SilverWillow shares may cease to be listed on a designated stock exchange and may not be listed on any such exchange at the time of their disposition. Generally, SilverWillow Shares that are not listed on a designated stock exchange at the time of their disposition will be considered taxable Canadian property of the Non-Resident Shareholder, if at any time within the 60-month period immediately preceding the disposition, more than 50 percent of the fair market value of the SilverWillow Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada,

Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act), and options in respect of, or interests in, or for civil Law rights in, any such properties (whether or not such property exists). Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, SilverWillow Shares could be deemed to be taxable Canadian property of the Non-Resident Shareholder.

If the SilverWillow Shares are taxable Canadian property of the Non-Resident Shareholder at the time of their disposition, the Non-Resident Shareholder may be subject to tax under the Tax Act in respect of any capital gain realized on the disposition and the notification and withholding provisions of section 116 of the Tax Act may apply to the Non-Resident Shareholder.

#### *Dividends on SilverWillow Shares*

Dividends paid or deemed to be paid by SilverWillow to a Non-Resident Shareholder will be subject to Canadian non-resident withholding tax of 25 percent, subject to reduction under an applicable income tax treaty.

#### *Dissenting Non-Resident Shareholders*

A dissenting Non-Resident Shareholder may be entitled, if the Arrangement becomes effective, to be paid by Teck the fair value of the SilverBirch Common Shares held by the dissenting Non-Resident Shareholder.

A dissenting Non-Resident Shareholder who receives a payment in respect of the fair value of the dissenting Non-Resident Shareholder's SilverBirch Common Shares will generally be considered to have disposed of the SilverBirch Common Shares for proceeds of disposition equal to the amount received by the dissenting Non-Resident Shareholder (other than any interest awarded by a court). Any capital gain (or capital loss) will be treated in the same manner as described under the heading "Tax Considerations to SilverBirch Shareholders – Certain Canadian Federal Income Tax Considerations – SilverBirch Shareholders Not Resident in Canada – Disposition of SilverBirch Common Shares" above.

Any interest paid or credited to a dissenting Non-Resident Shareholder who deals at arm's length with SilverBirch for purposes of the Tax Act should not be subject to withholding tax under the Tax Act provided that such interest is not "participating debt interest" for purposes of the Tax Act. Additional income tax considerations may be relevant to dissenting Non-Resident Shareholders who fail to perfect or withdraw their claims pursuant to the Dissent Rights.

#### **Certain United States Federal Income Tax Considerations**

The following is a summary of certain material anticipated U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from the Arrangement, including the receipt of SilverWillow Shares and cash, and the ownership and disposition of SilverWillow Shares. This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder as a result of the Arrangement or as a result of the ownership and disposition of the securities or cash received in connection with the Arrangement. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax considerations applicable to a U.S. Holder. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. Moreover, this summary is not binding on the Internal Revenue Service (the "IRS") or the U.S. courts, and no assurance can be provided that the conclusions reached in this summary will not be challenged by the IRS or will be sustained by a U.S. court if so challenged. SilverBirch has not requested, and does not intend to request, a ruling from the IRS or an opinion from legal counsel regarding any of the U.S. federal income tax consequences of the Arrangement. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. state and local, and foreign tax consequences of the Arrangement and the receipt, ownership and disposition of SilverWillow Shares and cash received in connection with the Arrangement.

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, U.S. HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DOCUMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY A U.S. HOLDER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE INTERNAL REVENUE CODE; (B) THIS SUMMARY WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED IN THIS DOCUMENT; AND (C) EACH U.S. HOLDER SHOULD SEEK ADVICE BASED ON SUCH U.S. HOLDER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury Regulations (final, temporary, and proposed), U.S. court decisions, published IRS rulings and published administrative positions of the IRS, and the Canada-U.S. Treaty, that are applicable and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis and could affect the U.S. federal income tax considerations described in this summary.

For purposes of this summary, a "**U.S. Holder**" is a beneficial owner of SilverBirch Common Shares participating in the Arrangement that is (a) an individual who is a citizen or resident of the U.S. for U.S. federal income tax purposes, (b) a corporation, or other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S. or any state in the U.S., including the District of Columbia, (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income, or (d) a trust if (i) such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

For purposes of this summary, a "**Non U.S. Holder**" is an owner of SilverBirch Common Shares participating in the Arrangement that is not a U.S. Holder. This summary does not address the U.S. federal income tax considerations applicable to Non U.S. Holders arising from the Arrangement. Accordingly, a Non U.S. Holder should consult its own tax advisor regarding the potential U.S. federal, U.S. state and local, and foreign tax consequences (including the potential application of and operation of any tax treaties) of the Arrangement.

This summary does not address the U.S. federal income tax considerations of the Arrangement to U.S. Holders that are subject to special provisions under the Code, including U.S. Holders: (a) that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax deferred accounts; (b) that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies or that are broker dealers, dealers, or traders in securities or currencies that elect to apply a mark to market accounting method; (c) that have a "functional currency" other than the U.S. dollar; (d) that own SilverBirch Common Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (e) that acquired SilverBirch Common Shares (or after the Arrangement, SilverWillow Shares) in connection with the exercise of employee stock options or otherwise as compensation for services; (f) that hold SilverBirch Common Shares (or after the Arrangement, SilverWillow Shares) other than as a capital asset within the meaning of Section 1221 of the Code; (g) who are U.S. expatriates or former long term residents of the United States; or (h) that own, or will own after the Effective Time, directly, indirectly, or by attribution, ten percent or more, by voting power or value, of the outstanding SilverBirch Common Shares or SilverWillow Shares. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal, U.S. state and local, and foreign tax consequences of the Arrangement.

If an entity that is classified as a partnership (or "pass through" entity) for U.S. federal income tax purposes holds SilverBirch Common Shares, the U.S. federal income tax consequences to such partnership (or "pass through" entity) and the partners of such partnership (or owners of such "pass through" entity) of participating in the Arrangement and owning SilverWillow Shares generally will depend on the activities of the partnership (or "pass through" entity) and the status of such partners (or owners). Partners of entities that are classified as partnerships (and owners of "pass through" entities) for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement.

This summary does not address the state, local, U.S. federal alternative minimum tax, estate and gift, or foreign tax consequences to U.S. Holders of the Arrangement. Each U.S. Holder should consult its own tax advisor regarding the state, local, U.S. federal alternative minimum tax, estate and gift, and foreign tax consequences to them of the Arrangement.

**U.S. Holders are urged to consult their tax advisors with respect to the U.S. federal, state and local tax consequences and the non-U.S. tax consequences of the transaction, including the receipt, ownership, and disposition of SilverWillow Shares and cash received pursuant to the Arrangement.**

### ***Receipt of Cash and SilverWillow Shares***

The exchange of SilverBirch Common Shares for cash and SilverWillow Shares pursuant to the Arrangement will be a taxable transaction for U.S. federal income tax purposes. Accordingly, U.S. Holders who exchange their SilverBirch Common Shares will recognize gain or loss on such exchange equal to the difference between the "amount realized" and the U.S. Holder's aggregate adjusted tax basis in the SilverBirch Common Shares exchanged. The "amount realized" will equal the sum of the fair market value of the SilverWillow Shares and the amount of cash received. Subject to the discussion of PFICs below, any gain or loss realized will be capital gain or loss and will be long term capital gain or loss if the SilverBirch Common Shares disposed of are held for more than one year. Preferential tax rates apply to long term capital gains of a U.S. Holder that is an individual, estate, or trust. Deductions for capital losses are subject to complex limitations under the Code.

A U.S. Holder's initial tax basis in the SilverWillow Shares received will equal their fair market value, and the U.S. Holder's holding period with respect to such SilverWillow Shares will begin on the day after the Effective Date.

### ***U.S. Holders Exercising Dissent Rights***

A U.S. Holder that exercises dissent rights in the Arrangement and is paid cash in exchange for all of such U.S. Holder's SilverBirch Common Shares generally will recognize gain or loss in an amount equal to the difference, if any, between (a) the amount of cash received by such U.S. Holder in exchange for SilverBirch Common Shares and (b) the tax basis of such U.S. Holder in such SilverBirch Common Shares surrendered. Subject to the PFIC rules discussed below, such gain or loss generally will be capital gain or loss and will be long term capital gain or loss if such SilverBirch Common Shares are held for more than one year. Preferential tax rates apply to long term capital gains of a U.S. Holder that is an individual, estate, or trust. Deductions for capital losses are subject to complex limitations under the Code. U.S. Holders that receive Canadian currency as a result of exercising Dissent Rights should read the section below under the heading "Tax Considerations to SilverBirch Shareholders – Certain United States Federal Income Tax Considerations – Other Tax Considerations – Receipt of Canadian Currency."

### ***Tax Consequences of Holding and Disposing of SilverWillow Shares***

#### ***Receipt of Distributions on SilverWillow Shares***

Subject to the discussion below under the heading "Passive Foreign Investment Companies," a U.S. Holder that receives a cash distribution with respect to its SilverWillow Shares will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated "earnings and profits" of SilverWillow, as determined under U.S. federal income tax rules. To the extent that a distribution exceeds the current and accumulated "earnings and profits" of SilverWillow, such distribution will be treated (a) first, as a tax free return of capital to the extent of a U.S. Holder's tax basis in the SilverWillow Shares, and (b) thereafter, as gain from the sale or exchange of such SilverWillow Shares. Dividends paid on the SilverWillow Shares generally will not be eligible for the "dividends received deduction" generally available to U.S. corporate shareholders receiving dividends from U.S. corporations.

A dividend paid by SilverWillow will be taxed at the preferential tax rates applicable to long term capital gains if (a) SilverWillow is a "qualified foreign corporation" (as defined below), (b) the U.S. Holder receiving such dividend is an individual, estate, or trust, and (c) certain holding period requirements are met. SilverWillow generally will be a "qualified foreign corporation" under Section 1(h)(11) of the Code (a "QFC") if (a) SilverWillow is eligible for the benefits of the Canada-U.S. Treaty, or (b) the SilverWillow Shares are readily tradable on an established securities market in the U.S. However, even if SilverWillow satisfies one or more of such requirements, SilverWillow will not be treated as a QFC if SilverWillow is a PFIC for the tax year during which SilverWillow pays a dividend or for the preceding tax year. It is likely that SilverWillow will be a PFIC for the foreseeable future. See the discussion titled "Tax Considerations to SilverBirch Shareholders – Certain United States Federal Income Tax Considerations – Passive Foreign Investment Companies", below. Accordingly, SilverWillow does not expect to be a QFC for the foreseeable future.

If SilverWillow is not a PFIC but a U.S. Holder otherwise fails to qualify for the preferential tax rate discussed in the preceding paragraph, a dividend paid by SilverWillow to a U.S. Holder generally will be taxed at ordinary income tax rates (and not at the preferential tax rates applicable to long term capital gains). The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the dividend rules.

**However, it is likely that SilverWillow will be a PFIC for the foreseeable future. See the discussion titled "Tax Considerations to SilverBirch Shareholders – Certain United States Federal Income Tax Considerations – Passive Foreign Investment Companies", below.**

#### *Dispositions of SilverWillow Shares*

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of SilverWillow Shares in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in the SilverWillow Shares sold or otherwise disposed of. Subject to the PFIC rules discussed below, any such gain or loss generally will be capital gain or loss, and will be long term capital gain or loss if the U.S. Holder's holding period for the SilverWillow Shares exceeds one year.

Preferential tax rates apply to long term capital gains of a U.S. Holder that is an individual, estate, or trust. Deductions for capital losses are subject to significant limitations under the Code.

#### *Passive Foreign Investment Companies*

##### *Qualification*

A foreign corporation generally will be considered a PFIC if, for a given tax year, (a) 75 percent or more of the gross income of the corporation for such tax year is passive income or (b) 50 percent or more of the assets held by the corporation either produce passive income or are held for the production of passive income, based on the fair market value of such assets. With respect to sales by a corporation, "gross income" generally means sales revenues less cost of goods sold. "Passive income" includes, for example, dividends, interest, certain rents and royalties (other than rents and royalties derived in the active conduct of a trade or business), certain gains from the sale of stock and securities, and certain gains from commodities transactions.

For purposes of the PFIC income test and assets test described above, if a corporation owns, directly or indirectly, 25 percent or more of the total value of the outstanding shares of another corporation, the first corporation will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and assets test described above, "passive income" does not include any interest, dividends, rents, or royalties that are received or accrued by a corporation from a "related person," to the extent such items are properly allocable to the income of such related person that is not passive income.

In addition, if a corporation is a PFIC and owns shares of another foreign corporation that also is a PFIC (a "**Subsidiary PFIC**"), under certain indirect ownership rules, a disposition of the shares of the Subsidiary PFIC or a distribution received from the Subsidiary PFIC generally will be treated as an indirect disposition by a U.S. Holder or an indirect distribution received by a U.S. Holder. To the extent that gain recognized on the actual disposition by a U.S. Holder of shares of a corporation which is a PFIC or income recognized by a U.S. Holder on an actual distribution received on shares of a PFIC was previously subject to U.S. federal income tax under these indirect ownership rules, such amount generally should not be subject to U.S. federal income tax.

#### *PFIC Status of SilverBirch*

Based on available financial information, SilverBirch believes it has been a PFIC for each year of its existence and expects to be a PFIC for the tax year in which the Arrangement occurs and the tax year which includes the day after the Effective Date. However, PFIC status is fundamentally factual in nature, generally cannot be determined until the close of the taxable year in question and is determined annually. Additionally, the analysis depends, in part, on complex U.S. federal income tax rules which are subject to varying interpretations. Consequently, there can be no assurances regarding the PFIC status of SilverBirch for any prior tax year or the current year. If SilverBirch was a PFIC at any time during a U.S. Holder's holding period for the SilverBirch Common Shares, then the tax consequences of disposing of such shares, as discussed above, will be significantly modified, and generally worsened, by the PFIC rules discussed below.



### *PFIC Status of SilverWillow*

SilverWillow expects to be a PFIC for the tax year in which the Arrangement occurs and the tax year which includes the day after the Effective Date and may be a PFIC in subsequent years. However, PFIC classification is factual in nature, and generally cannot be determined until the close of the tax year in question. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Consequently, there can be no assurances regarding the PFIC status of SilverWillow for the year in which the Arrangement occurs, the tax year which includes the day after the Effective Date or any subsequent tax year. If SilverWillow is a PFIC in 2012, or any other year in a U.S. Holder's holding period for SilverWillow Shares, then the tax consequences to such U.S. Holder of holding and disposing of such securities will be significantly modified and generally worsened by the PFIC rules, as discussed below. Each U.S. Holder should consult its own tax advisor regarding whether SilverWillow will be a PFIC for the year in which the Arrangement occurs and for the tax year that includes the day after the Effective Date of the Arrangement.

### ***Consequences of the Ownership and Disposition of Shares of a PFIC***

#### *Default PFIC Rules Under Section 1291 of the Code*

If any corporation is or has been a PFIC, the U.S. federal income tax consequences to a U.S. Holder of the acquisition, ownership, and disposition of securities of such company or companies, will depend on whether such U.S. Holder makes an election to treat such PFIC as a "qualified electing fund" or "QEF" (a "**QEF Election**") or has made a mark to market election (a "**Mark to Market Election**") with respect to the PFIC shares. A U.S. Holder that does not make either a QEF Election or a Mark to Market Election with respect to shares in a PFIC will be referred to in this summary as a "**Non Electing U.S. Holder.**"

A Non Electing U.S. Holder will be subject to the rules of Section 1291 of the Code as follows:

- any gain on the sale, exchange, or other disposition of shares and any "excess distribution" (defined as an annual distribution that is more than 25 percent in excess of the average annual distribution over the past three years) will be allocated rateably over such U.S. Holder's holding period for the shares;
- the amount allocated to the current taxable year and any year prior to the first year in which the corporation was classified as a PFIC will be taxed as ordinary income in the current year;
- the amount allocated to each of the other taxable years will be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year; and
- an interest charge for a deemed deferral benefit will be imposed with respect to the resulting tax attributable to each of the other taxable years, which interest charge is not deductible by non-corporate U.S. Holders.

The amount of any such gain or excess distribution allocated to the current year of such Non Electing U.S. Holder's holding period for the PFIC's securities will be treated as ordinary income in the current year, and no interest charge will be incurred with respect to the resulting tax liability for the current year.

If a corporation is a PFIC for any tax year during a Non Electing U.S. Holder's holding period for the securities of such corporation, the corporation will continue to be treated as a PFIC with respect to such Non Electing U.S. Holder, regardless of whether such corporation ceases to be a PFIC in one or more subsequent years. A Non Electing U.S. Holder may terminate this deemed PFIC status with respect to the PFIC shares by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such shares were sold on the last day of the last tax year for which such corporation was a PFIC.

#### *QEF Election*

A U.S. Holder that makes a QEF Election for the first year in which its holding period for PFIC shares begins generally will not be subject to the rules of Section 1291 of the Code discussed above. However, a U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such U.S. Holder's pro rata share of:

- (a) the net capital gain of the PFIC, which will be taxed as long term capital gain to such U.S. Holder, and

- (b) the ordinary earnings of the PFIC, which will be taxed as ordinary income to such U.S. Holder.

Generally, "net capital gain" is the excess of (a) net long term capital gain over (b) net short term capital loss, and "ordinary earnings" are the excess of (a) "earnings and profits" over (b) net capital gain. A U.S. Holder that makes a QEF Election with respect to a PFIC will be subject to U.S. federal income tax on such amounts for each tax year in which such corporation is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder. However, for any tax year in which a corporation is a PFIC and has no net income or gain, U.S. Holders that have made a QEF Election would not have any income inclusions as a result of the QEF Election. If a U.S. Holder that made a QEF Election has an income inclusion, such a U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as "personal interest", which is not deductible.

A U.S. Holder that makes a QEF Election with respect to a PFIC generally (a) may receive a tax free distribution from such PFIC to the extent that such distribution represents "earnings and profits" of the PFIC that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder's tax basis in the shares of such PFIC to reflect the amount included in income or allowed as a tax free distribution because of such QEF Election. In addition, a U.S. Holder that makes a QEF Election with respect to shares of a PFIC generally will recognize capital gain or loss on the sale or other taxable disposition of such shares.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as "timely" if such QEF Election is made for the first year in the U.S. Holder's holding period for the PFIC shares in which the corporation was a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such first year. However, if a party to the Arrangement was a PFIC in a prior year, then in addition to filing the QEF Election documents, a U.S. Holder must elect to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if the PFIC shares were sold on the qualification date. The "qualification date" is the first day of the first tax year in which the PFIC was a QEF with respect to such U.S. Holder. The election to recognize such gain or "earnings and profits" can only be made if such U.S. Holder's holding period for the PFIC shares includes the qualification date. By electing to recognize such gain or "earnings and profits", such U.S. Holder will be deemed to have made a timely QEF Election. In addition, under very limited circumstances, a U.S. Holder may make a retroactive QEF Election if such U.S. Holder failed to file the QEF Election documents in a timely manner.

A QEF Election will apply to the tax year for which such QEF Election is made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election with respect to a PFIC and, in a subsequent tax year, such corporation ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which such corporation is not a PFIC. Accordingly, if such corporation becomes a PFIC in a subsequent tax year, the QEF Election will be effective and the U.S. Holder will be subject to the QEF rules described above during any such subsequent tax year in which such corporation qualifies as a PFIC. In addition, the QEF Election will remain in effect (although it will not be applicable) with respect to a U.S. Holder even after such U.S. Holder disposes of all of such U.S. Holder's direct and indirect interest in the PFIC's shares. Accordingly, if such U.S. Holder reacquires an interest in such PFIC, such U.S. Holder will be subject to the QEF rules described above for each tax year in which such corporation is a PFIC and such U.S. Holder holds its shares.

U.S. Holders should be aware that there can be no assurance that SilverWillow will satisfy the recordkeeping requirements that apply to a QEF or that it will supply U.S. Holders with information that such U.S. Holders would require to report under the QEF rules, in the event that it were a PFIC and a U.S. Holder wished to make a QEF Election in respect to it. Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a QEF Election with respect to any party to the Arrangement which is a PFIC or may become a PFIC.

#### *Mark to Market Election*

A U.S. Holder may make a Mark to Market Election with respect to shares in securities in a PFIC only if the securities are marketable stock. A PFIC's shares generally will be "marketable stock" if they are regularly traded on (a) a national securities exchange that is registered with the Securities and Exchange Commission, (b) the national market system established pursuant to Section 11A of the Securities and Exchange Act of 1934, or (c) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure, and other requirements and the laws of the country in

which such foreign exchange is located, together with the rules of such foreign exchange, ensure that such requirements are actually enforced and (ii) the rules of such foreign exchange ensure active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be "regularly traded" for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Shares regularly traded on the TSX-V should qualify as marketable stock for this purpose.

A U.S. Holder that makes a Mark to Market Election with respect to its shares in a PFIC generally will not be subject to the rules of Section 1291 of the Code discussed above. However, if a U.S. Holder makes a Mark to Market Election after the beginning of such U.S. Holder's holding period for the PFIC shares and such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, the shares of such PFIC. In particular, a Non-Electing U.S. Holder whose holding period with respect to SilverBirch Common Shares includes a year in which SilverBirch was a PFIC would be taxed under the rules of Section 1291 as a result of the Arrangement, even if such U.S. Holder now made a Mark-to-Market election.

A U.S. Holder that makes a Mark to Market Election with respect to shares in a PFIC will include in ordinary income, for each tax year in which corporation is a PFIC an amount equal to the excess, if any, of (a) the fair market value of the shares in such PFIC as of the close of such tax year over (b) such U.S. Holder's tax basis in such PFIC shares. A U.S. Holder that makes a Mark to Market Election will be allowed a deduction in an amount equal to the lesser of (a) the excess, if any, of (i) such U.S. Holder's adjusted tax basis in the PFIC shares over (ii) the fair market value of such PFIC shares as of the close of such tax year or (b) the excess, if any, of (i) the amount included in ordinary income because of such Mark to Market Election for prior tax years over (ii) the amount allowed as a deduction because of such Mark to Market Election for prior tax years.

A U.S. Holder that makes a Mark to Market Election with respect to shares in a PFIC generally also will adjust such U.S. Holder's tax basis in such PFIC shares to reflect the amount included in gross income or allowed as a deduction because of such Mark to Market Election. In addition, upon a sale or other taxable disposition of such PFIC shares, a U.S. Holder that makes a Mark to Market Election will recognize ordinary income or loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark to Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark to Market Election for prior tax years).

A Mark to Market Election applies to the tax year in which such Mark to Market Election is made and to each subsequent tax year, unless the shares of the PFIC cease to be "marketable stock" or the IRS consents to revocation of such election. Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a Mark to Market Election.

#### *Other PFIC Rules*

Certain additional adverse rules will apply with respect to a U.S. Holder of shares in a PFIC regardless of whether such U.S. Holder makes a QEF Election. For example under Section 1298(b)(6) of the Code, a U.S. Holder that uses shares in a PFIC as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such shares. In addition, a U.S. Holder who acquires shares in a PFIC from a decedent will not receive a "step up" in tax basis of such shares to fair market value. Further, U.S. Holders of shares in a PFIC must annually file an IRS information return regarding their ownership of such shares.

**The PFIC rules are complex, and each U.S. Holder should consult its own tax advisor regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences attributable to the shares surrendered or received pursuant to the Arrangement.**

#### *Other Tax Considerations*

##### *Foreign Tax Credit*

A U.S. Holder that pays (whether directly or through withholding) Canadian income tax in connection with the Arrangement or in connection with the ownership or disposition of SilverWillow Shares may be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar for dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year by year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. Generally, dividends paid by a foreign corporation should be treated as foreign source for this purpose, and gains recognized on the sale of stock or other securities of a foreign corporation by a U.S. Holder should be treated as U.S. source for this purpose. However, the amount of a distribution with respect to SilverWillow Shares that is treated as a "dividend" may be lower for U.S. federal income tax purposes than it is for Canadian federal income tax purposes, resulting in a reduced foreign tax credit allowance to a U.S. Holder. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

#### *Receipt of Canadian Currency*

The amount of any distribution or proceeds paid in Canadian dollars to a U.S. Holder in connection with the ownership of SilverWillow Shares or on the sale, exchange or other taxable disposition of SilverWillow Shares, or any Canadian dollars received as a result of the Arrangement or on the exercise of Dissent Rights under the Arrangement, generally will be equal to the U.S. dollar value of such Canadian dollars based on the exchange rate applicable on the date of receipt (regardless of whether such Canadian dollars are converted into U.S. dollars at that time). A U.S. Holder that receives Canadian dollars and converts such Canadian dollars into U.S. dollars at a conversion rate other than the rate in effect on the date of receipt may have a foreign currency exchange gain or loss, which generally would be ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes.

Taxable dividends with respect to SilverWillow Shares, if any, that are paid in Canadian dollars will be included in the gross income of a U.S. Holder as translated into U.S. dollars calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of the dividend, regardless of whether the Canadian dollars are converted into U.S. dollars at that time. If the Canadian dollars received are not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the Canadian dollars equal to their U.S. dollar value on the date of receipt. Any U.S. Holder that receives payment in Canadian dollars and engages in a subsequent conversion or other disposition of the Canadian dollars may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes.

Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

#### *Information Reporting: Backup Withholding Tax*

Payments of cash made to U.S. Holders participating in the Arrangement as well as payments relating to the exercise of Dissent Rights under the Arrangement, and payments of cash or property made to U.S. Holders relating to dividends on, or proceeds arising from the sale or other taxable disposition of SilverWillow Shares generally will be subject to U.S. federal information reporting and may be subject to backup withholding tax, currently at the rate of 28 percent, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W 9); or (b) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Backup withholding is not an additional U.S. federal income tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded to the extent it exceeds such liability, if such U.S. Holder furnishes required information to the IRS. A U.S. Holder that does not provide a correct U.S. taxpayer identification number may be subject to penalties imposed by the IRS. Each U.S. Holder should consult its own U.S. tax advisor regarding the information reporting and backup withholding tax rules.

#### *Additional Tax on Passive Income*

For taxable years beginning after December 31, 2012, U.S. Holders with income in excess of certain thresholds will generally be subject to a 3.8 percent Medicare contribution tax on unearned income, including, among other things, dividends on, and capital gains from the sale or other taxable disposition of, SilverWillow shares, subject to certain limitations and exceptions. You are urged to consult your tax advisor regarding the effect, if any, of this tax on your ownership and disposition of SilverWillow shares.

## OTHER MATTER OF SPECIAL BUSINESS RELATING TO SILVERWILLOW

At the Meeting, SilverBirch Shareholders will be asked to consider and, if deemed advisable, approve the adoption of the SilverWillow Stock Option Plan.

**The completion of the Arrangement is not conditional upon approval of the SilverWillow Stock Option Plan.**

### Approval of SilverWillow Stock Option Plan

At the Meeting, SilverBirch Shareholders will be asked to consider and, if deemed advisable, approve the adoption by SilverWillow of the SilverWillow Stock Option Plan which will authorize the SilverWillow Board of Directors to issue stock options to directors, executive officers, employees and consultants of SilverWillow and its subsidiaries. Approval of the SilverWillow Stock Option Plan will be required by the TSX-V if the SilverWillow Shares are listed on the TSX-V. A copy of the SilverWillow Stock Option Plan is set out in Appendix H to this Information Circular. In the event that the SilverWillow Stock Option Plan is not approved at the Meeting, it is expected that SilverWillow would consider the provision of comparable compensation to its directors, executive officers, employees and consultants in the form of cash or other appropriate arrangements.

The purpose of the SilverWillow Stock Option Plan is to assist directors, executive officers, consultants and employees of SilverWillow and its subsidiaries to participate in the growth and development of SilverWillow by providing such persons with the opportunity, through options to acquire SilverWillow Shares, to acquire an increased proprietary interest in SilverWillow that will be aligned with the interest of the shareholders of SilverWillow.

Under the SilverWillow Stock Option Plan: (a) unless Disinterested Shareholder (as defined in the SilverWillow Stock Option Plan) approval is obtained, the total number of SilverWillow Shares which may be granted to any optionee in a 12 month period under the SilverWillow Stock Option Plan and under all other security-based compensation arrangements must not exceed five percent of the issued and outstanding SilverWillow Shares at the date of grant of the option; (b) the total number of SilverWillow Shares which may be reserved for issuance under the SilverWillow Stock Option Plan upon the exercise of options granted to any one consultant within a 12 month period must not exceed two percent of the issued and outstanding SilverWillow Shares at the date of the grant of the option; and (c) the total number of SilverWillow Shares which may be reserved for issuance under the SilverWillow Stock Option Plan upon the exercise of options granted to a person employed to provide investor relations activities (as such term is defined by the TSX-V policies) within a 12 month period must not exceed two percent of the issued and outstanding SilverWillow Shares at the date of the grant of the option.

Under the SilverWillow Stock Option Plan, the maximum number of SilverWillow Shares that may be reserved for issuance to insiders under the SilverWillow Stock Option Plan and all other security based compensation arrangements shall be ten percent of the SilverWillow Shares outstanding at the date of the grant of the option (on a non-diluted basis). Additionally, the maximum number of SilverWillow Shares that may be issued to insiders, in the aggregate, under the SilverWillow Stock Option Plan and all other security-based compensation arrangements within a one year period shall be ten percent of the SilverWillow Shares outstanding at the time of the issuance (on a non-diluted basis), excluding SilverWillow Shares issued under the SilverWillow Stock Option Plan or any other security-based compensation arrangements over the preceding one year period.

The SilverWillow Stock Option Plan will be administered by the SilverWillow Board of Directors, or a committee thereof, subject to the policies of the TSX-V. The SilverWillow Board of Directors (or a committee thereof) will have the discretion to determine to whom options will be granted, the number of such options, the exercise price of such options (which shall not be less than the Market Price as defined in the SilverWillow Stock Option Plan), and the terms and time frames in which the options will be exercisable, provided that options will be exercisable for a maximum of seven years from the date of grant.

The SilverWillow Stock Option Plan provides that if the expiration date for an option occurs during a Blackout Period (as defined below) applicable to the relevant optionee, or within ten business days after the expiry of a Blackout Period applicable to the relevant optionee, then the expiration date for that option shall be the date that is the tenth business day after the expiry date of the Blackout Period. "Blackout Period" is defined in the SilverWillow Stock Option Plan as a period of time during which the optionee cannot exercise an option, or sell the SilverWillow Shares issuable pursuant to an exercise of options, due to applicable policies of SilverWillow in respect of insider trading.

Subject to certain restrictions set forth in this paragraph and to any express resolution passed by the SilverWillow Board of Directors (and approved by the TSX-V, if required) stating otherwise, an option shall terminate immediately upon the optionee ceasing to be a director, executive officer, employee or consultant of SilverWillow or its subsidiaries. Notwithstanding the above, where an optionee is terminated other than termination of an executive officer, employee or consultant by SilverWillow for cause or the optionee's death any option may, subject to the terms of the SilverWillow Stock Option Plan, be exercised by the optionee at any time within 30 days (or at the discretion of the SilverWillow Board of Directors, on a date within 180 days) from the date notice of termination of employment or directorship of such individual is given, as long as the options do not expire by such time and have vested in accordance with their terms prior to the date of notice of termination. Upon the death of an optionee all options previously granted to such optionee shall immediately vest. Subject to the terms of such options and the SilverWillow Stock Option Plan all such vested options will be exercisable within the first six months following the death of the optionee or prior to the expiry of options whichever is earlier by the legal personal representative(s) of the estate of the optionee.

The SilverWillow Stock Option Plan provides that if SilverWillow is listed on the TSX and in compliance with applicable TSX requirements or if SilverWillow is listed as a Tier 1 Issuer (as defined in the applicable TSX-V policies) on the TSX-V and obtains approval from the TSX-V and any other exchange upon which the SilverWillow Shares are then listed, options granted pursuant to the SilverWillow Stock Option Plan may be exercised by an optionee on a cashless basis. In such circumstances, an optionee may elect upon option exercise, instead of making a cash payment for the aggregate exercise price of the option, to receive a number of SilverWillow Shares equal to: (1) the difference between the aggregate Market Price (as defined in the SilverWillow Stock Option Plan) of the SilverWillow Shares underlying the option and the aggregate exercise price of such option divided by: (2) the Market Price (as defined in the SilverWillow Stock Option Plan) of each SilverWillow Share.

The SilverWillow Stock Option Plan contains customary adjustment and anti-dilution provisions in the event of a merger, amalgamation, arrangement or sale of substantially all of the assets of SilverWillow or if there is a subdivision, consolidation or reclassification of the SilverWillow Shares. Additionally, the SilverWillow Stock Option Plan provides that if, during the term of an option, there takes place a change of control, SilverWillow shall give notice of such change of control to all optionees, and to the extent practicable, shall provide such notice at least 14 days before the effective date of such change of control. In the event of a change of control all options (whether vested or unvested) shall be immediately exercisable and each optionee shall have the right, whether or not such notice is given to it by SilverWillow, to exercise all options to purchase all of the SilverWillow Shares optioned to them (whether vested or unvested) which have not previously been purchased in accordance with the SilverWillow Stock Option Plan. If for any reason such change of control is not effected, any such SilverWillow Shares so purchased by an optionee shall be, and shall be deemed to be, cancelled and returned to the treasury of SilverWillow, shall be added back to the number of options, if any, remaining unexercised and upon presentation to SilverWillow of SilverWillow Share certificates representing such SilverWillow Shares properly endorsed for transfer back to SilverWillow, SilverWillow shall refund the optionee all consideration paid by the optionee in the initial purchase thereof.

For the purposes of the SilverWillow Stock Option Plan, "change of control" is defined as (a) the completion of a "take-over bid" (as defined in the Securities Act, as amended, or any successor legislation thereto) pursuant to which the "offeror" (as defined in the Securities Act) beneficially acquires SilverWillow Shares pursuant to the take-over bid and, when taken together with any other SilverWillow Shares held by the offeror, owns in excess of 30 percent of the issued and outstanding SilverWillow Shares; or (b) the issuance to or acquisition by any person, or group of persons acting in concert, directly or indirectly (other than SilverWillow or one of its subsidiaries pursuant to an internal reorganization), including through an arrangement, amalgamation, merger or other form of reorganization, of SilverWillow Shares which in the aggregate with all other SilverWillow Shares held by such person or group of persons acting in concert, directly or indirectly, constitutes 30 percent or more of the then issued and outstanding SilverWillow Shares; or (c) any person becomes the beneficial owner, directly or indirectly, of more than 20 percent of the then issued and outstanding SilverWillow Shares and, within a period of six months, persons who were members of the SilverWillow Board of Directors immediately prior to any person becoming the beneficial owner, directly or indirectly, of more than 20 percent of the then issued and outstanding SilverWillow Shares represent less than a majority of the members of the SilverWillow Board of Directors; or (d) an arrangement, amalgamation, merger, business combination or other form of reorganization of SilverWillow where the holders of the outstanding voting securities or interests of SilverWillow immediately prior to the completion of such reorganization transaction will hold 50 percent or less of the outstanding voting securities or interests of the continuing entity upon completion of such arrangement, amalgamation, merger, business combination or other form of reorganization; or (e) the election of a slate of directors at a meeting of SilverWillow where one-third of the directors so elected are not persons who formed the slate of directors proposed by the management of SilverWillow; or (f) a determination by the

SilverWillow Board of Directors that there has been a change, whether by way of a change in the holding of the voting securities of SilverWillow, in the ownership of SilverWillow's assets or by any other means, as a result of which any person or group of persons acting jointly or in concert is in a position to exercise effective control of SilverWillow; or (g) the sale, lease or other disposition of all or substantially all of the assets of SilverWillow; or (h) the liquidation, winding-up, insolvency or dissolution of SilverWillow. Such events as described in (a), (b), (c), (d), (e), (f), (g) and (h) immediately above will all be considered a "change of control" provided that a "change of control" shall not be deemed to have occurred if a majority of the SilverWillow Board of Directors, acting reasonably, determines prior to the effective date of any transaction which may be considered a "change of control" as described above that in substance an arrangement or reorganization will not occur or the circumstances are such that a "change of control" will be deemed not to occur and any such determination shall be binding and conclusive for all purposes of the SilverWillow Stock Option Plan.

A full copy of the SilverWillow Stock Option Plan is attached hereto as Appendix H.

At the Meeting, the SilverBirch Shareholders will be asked to consider and, if deemed appropriate, pass the following ordinary resolution (the "**SilverWillow Stock Option Plan Resolution**") to approve the SilverWillow Stock Option Plan:

"BE IT RESOLVED as an ordinary resolution of the holders of Common Shares of SilverBirch Energy Corporation ("**SilverBirch**") that:

1. The Stock Option Plan of SilverWillow Energy Corporation ("**SilverWillow**") in the form attached as Appendix H to the information circular of SilverBirch dated February 28, 2012, which provides for the rolling grant of options to acquire up to ten percent of the number of issued and outstanding common shares of SilverWillow, be and is hereby adopted, confirmed and approved.
2. All unallocated options issuable pursuant to the Stock Option Plan of SilverWillow are approved and authorized.
3. The directors may in their sole discretion revoke this ordinary resolution in whole or in part at any time prior to its being given effect without further notice to, or approval of, the shareholders of either SilverBirch or SilverWillow.
4. Any one director or officer of SilverWillow be and the same is hereby authorized and directed for and in the name of and on behalf of SilverWillow to execute or cause to be executed, whether under corporate seal of SilverWillow or otherwise, and to deliver or cause to be delivered all such documents, instruments and other writings and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of the foregoing resolutions, and to complete all transactions in connection with the Stock Option Plan of SilverWillow and in compliance with the policies of the TSX Venture Exchange, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing."

**The SilverBirch Board of Directors recommends that the SilverBirch Shareholders vote in favour of the SilverWillow Stock Option Plan Resolution. To be effective, the SilverWillow Stock Option Plan Resolution must be approved by a simple majority of the votes cast by the shareholders of SilverBirch who vote in person or by proxy at the Meeting on the SilverWillow Stock Option Plan Resolution. In the absence of a contrary instruction, the persons named in the enclosed form of proxy, if named as proxy, intend to vote in favour of the SilverWillow Stock Option Plan Resolution.**

#### **SELECTED PRO FORMA FINANCIAL INFORMATION OF SILVERWILLOW AND FINANCIAL INFORMATION OF SILVERBIRCH**

Set forth below is a summary of certain selected unaudited pro forma financial information with respect to SilverWillow as at September 30, 2011 after giving effect to the proposed Arrangement and certain audited financial information respecting the exploration and evaluation assets and property and equipment comprised in the Spin-Off Assets of SilverBirch as at September 30, 2011. The following information should be read in conjunction with the unaudited pro forma statement of financial position of SilverWillow as at September 30, 2011, attached as Schedule C to Appendix G – Information Concerning SilverWillow to this Information Circular, and the audited schedule of exploration and evaluation assets and property and equipment comprised in the Spin-Off Assets of SilverBirch as at September 30, 2011, together with the

auditors' report thereon, attached as Schedule B to Appendix G – Information Concerning SilverWillow to this Information Circular. **The pro forma adjustments are based upon the assumptions described in the notes to the unaudited pro forma statement of financial position of SilverWillow, including that the SilverBirch Shareholders approve the Arrangement Resolution at the Meeting and the Arrangement is completed. The unaudited pro forma statement of financial position is presented for illustrative purposes only and is not necessarily indicative of the financial position that would have resulted had the Arrangement actually occurred at the time contemplated by the notes to the unaudited pro forma statement of financial position or of the results or financial position expected in future periods or as of any future date.** See "Forward-Looking Statements".

	<b>Pro Forma SilverWillow As at September 30, 2011 (Cdn\$000's)</b>
Total assets <sup>(1)(2)(3)</sup>	99,265
Total liabilities	10,000

**Notes:**

- (1) As noted in Appendix G – Information Concerning SilverWillow – "Available Funds and Principal Purposes" and included as part of total assets above, SilverWillow is expected to have opening working capital of approximately Cdn\$23 million comprising cash of approximately Cdn\$33 million and accounts payable of approximately Cdn\$10 million which is expected to be sufficient to fund approximately 12 months of exploration and evaluation activities on the Audet Lands and the Birch Mountain Lands and general and administrative expenses of SilverWillow.
- (2) The exploration and evaluation assets of Cdn\$53.6 million related to the Spin-Off Assets of SilverBirch include, among other things, costs incurred with respect to land and licence acquisition, exploratory drilling, sampling and supporting lab work, geological and geophysical studies, office furnishings, leasehold improvements, computer equipment and software. See Schedule B – Audited Schedule of Exploration and Evaluation Assets and Property and Equipment Comprised in the Spin-Off Assets of SilverBirch as at September 30, 2011, attached to Appendix G – Information Concerning SilverWillow.
- (3) Total assets have been adjusted to reflect Teck's 50 percent interest in the Birch Mountain Lands and the Jordan Lands, which will be transferred to SilverBirch under the Arrangement and included in the Spin-Off Assets transferred to SilverWillow.

### **INFORMATION CONCERNING TECK AND THE PURCHASER**

**The information concerning Teck and the Purchaser and its subsidiaries contained in this Information Circular has been provided by Teck and the Purchaser for inclusion in this Information Circular. Although SilverBirch has no knowledge that any statement contained herein taken from, or based on, such information and records or information provided by Teck or the Purchaser are untrue or incomplete, SilverBirch assumes no responsibility for the accuracy of the information contained in such documents, records or information or for any failure by Teck or the Purchaser to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to SilverBirch.**

#### **Teck**

Teck Resources Limited was continued under the CBCA in 1978. Teck's business is exploring for, developing and producing natural resources. Its activities are organized into business units focused on copper, coal, zinc and energy.

#### **Purchaser**

The Purchaser is a corporation incorporated under the CBCA. The Purchaser was incorporated on January 4, 2012 for the purpose of participating in the Arrangement and has not carried on any active business other than in connection with the Arrangement and related matters. Teck presently owns the single outstanding share of the Purchaser.

### **INFORMATION CONCERNING SILVERBIRCH**

#### **General**

SilverBirch Energy Corporation was incorporated under the CBCA on June 25, 2010 as "7573413 Canada Ltd.". On July 14, 2010, SilverBirch filed articles of amendment to change its name to "SilverBirch Energy Corporation". The registered and principal business office of SilverBirch is located at 1500, 202 – 6<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 2R9.

Other than SilverWillow, SilverBirch does not currently have any subsidiaries. As contemplated by the Arrangement Agreement, SilverBirch will, prior to the Effective Date, incorporate PartnerCo and form Frontier Partnership.



SilverBirch's principal focus is the creation of shareholder value through the production of bitumen from the oil sands deposits associated within the Frontier Project, and the Equinox Project, in addition to the development of the Audet Lands.

SilverBirch is a pre-production oil sands company with a rich portfolio of mining and *in situ* oil sands properties, including a 50 percent working interest in the Frontier Project, the Equinox Project, the Birch Mountain Lands and the Jordan Lands and a 100 percent working interest in the Audet Lands and leases 042, 043 and 044.

SilverBirch began operations October 1, 2010 as a newly formed oil sands exploration and development company with assets in Alberta's Athabasca Oil Sands Area. SilverBirch was formed as a result of the UTS Arrangement among SilverBirch, UTS, the shareholders of UTS and Total E&P Canada Ltd. Pursuant to the UTS Arrangement, former UTS shareholders received, for each common share of UTS held, cash consideration of \$3.08 as well as 0.1 of a SilverBirch Common Share. SilverBirch did not carry on any active business prior to closing of the UTS Arrangement. At the close of the UTS Arrangement, 48,556,031 SilverBirch Common Shares were issued to UTS shareholders on the basis of one SilverBirch Common Share for each ten shares of UTS.

SilverBirch holds a 50 percent interest, with its operating partner Teck, in both the Frontier Project and the Equinox Project, which are located on the west side of the Athabasca River, west of the Fort Hills project. The Equinox Project is adjacent to the Horizon Oil Sands project currently operated by Canadian Natural Resources Ltd. and the Pierre River project proposed by Shell and the Frontier Project is located to the north of both of these project areas. The Equinox Project is the planned fourth phase of the Frontier Project.

The Frontier Project and the Equinox Project are each mineable oil sands projects with earliest possible production by 2020 and 2029, respectively. In addition, SilverBirch holds 162,240 net acres in other exploration properties which SilverBirch management believes also has potential for further development and added value to SilverBirch. These properties include the Birch Mountain Lands, the Jordan Lands and the Twin Lakes Lands, currently held jointly with Teck, which consist of a 50 percent working interest in 15 exploration oil sands leases identified by Lease Agreements 469, 471, 837, 509, 510, 511, 513, 514, 422, 423, 611, 614, 615, 915 and 003, and cover 209,280 acres in the Athabasca Oil Sands Area, a 100 percent interest in the Audet Lands which are associated with Lease Agreements 418 and 271 and a 100 percent working interest in three oil sands leases identified by Lease Agreements 042, 043 and 044. SilverBirch currently believes some of these exploration lands may have the potential for *in situ* development opportunities using existing or emerging production technologies.

Other than securities purchased or sold pursuant to SilverBirch Options and the issuance on a private placement basis of 1,450,000 SilverBirch Common Shares on a "flow-through" basis pursuant to the Tax Act ("**Flow-Through Shares**") at a price of Cdn\$9.20 per Flow-Through Share for aggregate gross proceeds to SilverBirch of Cdn\$13.34 million, SilverBirch has not distributed any SilverBirch Common Shares since the completion of the UTS Arrangement.

### **Recent Developments**

In October 2011, the SilverBirch Board of Directors formalized the composition of the strategic working group and its mandate and created the Special Committee.

On November 25, 2011, a regulatory application was filed with the ERCB, Alberta Environment and the Canadian Environmental Assessment Agency with respect to the Frontier Project. Subject to permitting, development of the Frontier Project is expected to take place in phases, with eventual production capacity of more than 277,000 barrels of partially deasphalted bitumen per day. A total of 2.8 billion barrels are expected to be produced over the anticipated 30 year life of the project. The Frontier Project will make use of the best practices for sustainable and responsible development, including technology for faster treatment of tailings, barrier walls to control seepage, off-stream water storage capacity so that water will not be required to be drawn from the Athabasca River during low-flow periods, and a plan for full reclamation of the project site.

In early January 2012, SilverBirch commenced operations on its winter field program on the Audet Lands. The program comprises the drilling of approximately 40 core holes for further resource exploration and delineation; additional cap rock evaluation, including mini-frac tests; hydrogeological investigations and a 2D seismic acquisition program. While the program is progressing as expected results from these activities are not yet available.

On February 16, 2012 SilverBirch approved an updated independent resource evaluation from Sproule entitled "Contingent Bitumen Resource Estimates for the Frontier and Equinox Oil Sands Mining Projects", effective December 31, 2011. Sproule prepared the report in accordance with NI 51-101 and the COGEH. The evaluation included an independent audit and review of the mine, tailings and extraction plans, as well as a review of the environmental and regulatory aspects of the Frontier Project and the Equinox Project associated with the current prefeasibility study. The report does not include any changes to the contingent bitumen resource estimates which have been previously disclosed by SilverBirch and incorporated by reference herein in connection with the Sproule Report. As part of its evaluation, Sproule conducted a high-level economic analysis as of December 31, 2011, based on the Frontier Project prefeasibility cost estimates (of which the Equinox Project is the fourth phase) and Sproule's price deck and transportation cost assumptions. Effective December 31, 2011, the Sproule best estimate of the economic results of the combined projects (100 percent) is Cdn\$137.4 million in after-tax net present value, discounted at eight percent, with an internal rate of return of 8.1 percent. The after-tax net present value estimated by Sproule may not be representative of fair market value.

The Parties entered into the Arrangement Agreement on Sunday, January 8, 2012 and SilverBirch and Teck announced the proposed Arrangement prior to the opening of markets on Monday, January 9, 2012.

### SilverBirch Share Capital

Prior to the Arrangement, SilverBirch is authorized to issue an unlimited number of SilverBirch Common Shares and an unlimited number of preferred shares. The holders of SilverBirch Common Shares are entitled to dividends if, as and when declared by the SilverBirch Board of Directors, to one vote per SilverBirch Common Share at meetings of the SilverBirch Shareholders and, upon liquidation, dissolution or winding up, to share pro rata in the remaining assets of SilverBirch. As at February 28, 2012, SilverBirch had 50,006,031 SilverBirch Common Shares issued and outstanding and no preferred shares outstanding.

### Directors and Officers of SilverBirch and Ownership of Securities of SilverBirch

The following table sets out the names of each of the directors and officers of SilverBirch and the number of outstanding SilverBirch Common Shares and SilverBirch Options beneficially owned as at February 28, 2012, directly or indirectly, or over which control or direction may be exercised by each such person and, where known after reasonable enquiry, by each associate or affiliate of each such person.

Name	Position with SilverBirch	SilverBirch Common Shares	% SilverBirch Common Shares Outstanding	SilverBirch Options	% SilverBirch Options Outstanding
<b>Directors</b>					
Gregory A. Boland	Director	8,868,426 <sup>(1)</sup>	17.74	59,000	1.70
Bonnie D. DuPont	Director	10,000	0.02	59,000	1.70
Martin R. Frass-Ehrfeld	Director	9,373,739	18.75	-	-
Donald R. Ingram	Chairman of the Board	7,000	0.01	59,000	1.70
Douglas H. Mitchell	Director	60,000	0.12	59,000	1.70
Howard J. Lutley	President, Chief Executive Officer and Director	142,999	0.29	664,000	19.11
Glen D. Roane	Director	69,690	0.14	59,000	1.70
William Watson	Director	5,600	0.01	59,000	1.70
<b>Officers</b>					
Wayne I. Bobye	Vice President, Chief Financial Officer	95,056	0.19	447,000	12.87
Jina D. Abells Morissette	Vice President, Legal & Administration	73,792	0.15	386,000	11.11

Name	Position with SilverBirch	SilverBirch Common Shares	% SilverBirch Common Shares Outstanding	SilverBirch Options	% SilverBirch Options Outstanding
Philip M. Aldred	Vice President, Resources	32,974	0.07	383,000	11.02
J. Cameron Bateman	Vice President, Projects	34,720	0.07	383,000	11.02
Susan J. Pain	Vice President, Finance	33,388	0.07	383,000	11.02

**Note:**

- (1) Does not include derivative equity swaps representing 600,000 SilverBirch Common Shares beneficially owned or controlled or directed by West Face Capital Inc. as Mr. Boland and West Face Capital Inc. are unable to exercise a vote in respect of such SilverBirch Common Shares.

See "The Arrangement – Interests of Certain Persons in the Arrangement – Change of Control Payments".

**SilverBirch Shareholder Rights Plan**

On September 30, 2010, SilverBirch adopted the Shareholder Rights Plan which was confirmed by the shareholders of UTS at the special meeting of shareholders of UTS held September 30, 2010. In connection with the implementation of the Shareholder Rights Plan, the SilverBirch Board of Directors authorized the issuance of one right in respect of each SilverBirch Common Share outstanding at the close of business on September 30, 2010 and one right in respect of each SilverBirch Common Share to be issued thereafter. The rights will separate from the SilverBirch Common Shares to which they are attached and will become exercisable upon the occurrence of certain events in accordance with the terms of the Shareholder Rights Plan. Generally, the Shareholder Rights Plan provides that if a person, or a group acting jointly or in concert, acquires (other than pursuant to an exemption available under the Shareholder Rights Plan) beneficial ownership of 20 percent or more of the SilverBirch Common Shares (except, among other exceptions, pursuant to a permitted bid under the Shareholder Rights Plan), the rights will separate from the SilverBirch Common Shares and permit holders of rights (other than the acquiring person) to purchase SilverBirch Common Shares at a substantial discount to market price. At any time prior to the rights becoming exercisable, the SilverBirch Board of Directors may waive the operation of the Shareholder Rights Plan with respect to certain events before they occur.

The Shareholder Rights Plan shall be terminated and all rights issued thereunder shall be extinguished at the Effective Time pursuant to the Plan of Arrangement.

**Auditors**

SilverBirch's auditors are KPMG LLP, Chartered Accountants, Calgary, Alberta. KPMG LLP, Chartered Accountants have been the auditors of SilverBirch since their appointment on September 30, 2010.

**Documents Incorporated by Reference**

Information in respect of SilverBirch and its material subsidiaries has been incorporated by reference in this Information Circular from documents filed with securities commissions or similar authorities in the provinces of Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of SilverBirch, at 1500, 202 – 6<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 2R9 (Telephone: 403-538-7030) or by accessing the disclosure documents available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) web site at [www.sedar.com](http://www.sedar.com).

The following documents of SilverBirch, filed with the various securities commissions or similar authorities in each of the provinces of Canada, are specifically incorporated by reference into and form an integral part of this Information Circular:

- (a) the SilverBirch AIF;

- (b) the audited consolidated financial statements and notes thereto of SilverBirch as at December 31, 2010, and for the period from incorporation on June 25, 2010 to December 31, 2010, together with the report of the auditors thereon dated April 15, 2011;
- (c) management's discussion and analysis of the financial condition and operating results of SilverBirch for the period from incorporation on June 25, 2010 to December 31, 2010;
- (d) the unaudited interim consolidated financial statements of SilverBirch as at and for the nine months ended September 30, 2011 and for the period from incorporation on June 25, 2010 to September 30, 2010;
- (e) management's discussion and analysis of the financial condition and operating results of SilverBirch for the nine months ended September 30, 2011;
- (f) the management proxy circular relating to the annual and special meeting of SilverBirch Shareholders held on May 26, 2011;
- (g) the material change report of SilverBirch dated October 13, 2011 in respect of the Sproule Audet Report; and
- (h) material change report of SilverBirch dated January 16, 2012 in respect of the Arrangement.

Any documents of a type referred to in the preceding paragraph, including any material change reports (excluding confidential material change reports), comparative interim financial statements, comparative annual financial statements and the auditors' report thereon, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms and business acquisition reports filed by SilverBirch with the securities commissions or similar authorities in each of the provinces of Canada subsequent to the date of this Information Circular and prior to the completion of the Arrangement shall be deemed to be incorporated by reference in this Information Circular.

**Any statement contained in this Information Circular or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Information Circular to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Circular.**

#### **Additional Information**

SilverBirch files reports and other information with the Securities Authorities. These reports and information are available to the public free of charge on SEDAR at [www.sedar.com](http://www.sedar.com). SilverBirch Shareholders may contact SilverBirch at its head office, at the following address, to request without charge copies of SilverBirch's financial statements and management discussion and analysis: 1500, 202 – 6<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 2R9 (Telephone: 403-538-7030). Financial information of SilverBirch is provided in the comparative financial statements and management discussion and analysis for the period from incorporation on June 25, 2010 to December 31, 2010.

#### **INFORMATION CONCERNING SILVERWILLOW**

SilverWillow was incorporated on January 5, 2012 for the sole purpose of participating in the Arrangement and has not carried on any active business other than in connection with the Arrangement and related matters. SilverWillow has no subsidiaries.

Following completion of the Arrangement, SilverWillow will carry on the business currently carried on by SilverBirch in respect of the Spin-Off Assets and it is currently estimated that SilverWillow will have approximately Cdn\$23 million of working capital after closing of the Arrangement, subject to adjustment. This estimate of working capital is inherently

difficult to calculate and dependent upon assumptions such as future results of SilverBirch operations up to the date of calculation, the trading price of the SilverBirch Common Shares prior to the completion of the Arrangement, costs of the Arrangement and other factors. The actual working capital amount at the close of the Arrangement may be materially different than the current estimate.

See Appendix G – Information Concerning SilverWillow.

#### INFORMATION CONCERNING THE SPIN-OFF ASSETS

For additional information relating to the Spin-Off Assets see Appendix G – Information Concerning SilverWillow.

#### MARKET PRICES OF, AND DIVIDENDS ON, SILVERBIRCH COMMON SHARES

##### Share Prices

SilverBirch Common Shares are traded on the TSX-V. The following table sets forth, for the calendar periods indicated, the high and low closing sales prices and trading volume of the SilverBirch Common Shares on the TSX-V, expressed in Canadian dollars.

	SilverBirch Common Shares		
	High	Low	Volume
	(Cdn\$/share)	(Cdn\$/share)	
<b>2011</b>			
January	7.80	6.81	2,378,685
February	9.50	7.21	1,447,748
March	9.48	7.50	1,158,907
April	9.25	8.52	1,851,808
May	9.22	7.20	1,033,144
June	7.95	6.90	1,190,489
July	7.60	6.43	2,033,690
August	6.99	4.82	478,889
September	6.20	4.27	795,507
October	7.10	4.30	1,239,279
November	6.90	5.60	1,035,508
December	6.99	5.60	901,377
<b>2012</b>			
January	9.75	5.21	6,040,219
February 1 – 27	9.64	9.49	714,201

On January 6, 2012, the last full trading day prior to the public announcement of the Arrangement, the closing trading price per SilverBirch Common Share as reported on the TSX-V was Cdn\$7.20. On February 27, 2012, the last full trading day prior to the date of this Information Circular, the closing sale price per SilverBirch Common Share as reported on the TSX-V was Cdn\$9.56.

##### Dividends Paid

No dividends have been paid on any shares of SilverBirch since the date of its incorporation.

#### DISSENTING SILVERBIRCH SHAREHOLDER RIGHTS

The following description of the rights of Dissenting SilverBirch Shareholders is not a comprehensive statement of the procedures to be followed by a Dissenting SilverBirch Shareholder who seeks payment of the fair value of such shareholder's SilverBirch Common Shares and is qualified in its entirety by the reference to the full text of the Interim Order which is attached as Appendix B to this Information Circular and the full text of Section 190 of the CBCA which is attached as Appendix I to this Information Circular. **A SilverBirch Shareholder who intends to exercise Dissent Rights should carefully consider and strictly comply with the provisions of Section 190 of the CBCA, as modified by the Interim Order. Failure to strictly comply with the provisions of that section, as modified by the Interim Order, and to adhere to the procedures established therein may result in the loss of all rights thereunder. It is suggested that**

**SilverBirch Shareholders wishing to avail themselves of their rights under those provisions seek their own legal advice, as failure to comply strictly with them may prejudice their right of dissent.**

The Court hearing the application for the Final Order has the discretion to alter the rights of dissent described herein based on the evidence presented at such hearing.

Under the Interim Order, a registered SilverBirch Shareholder who fully complies with the dissent procedures in Section 190 of the CBCA, as modified by the Interim Order, is entitled, when the Arrangement becomes effective, in addition to any other rights he may have, to dissent and to be paid the fair value of the SilverBirch Common Shares held by him in respect of which he dissents, determined as of the close of business on March 28, 2012. A registered SilverBirch Shareholder may dissent only with respect to all of the SilverBirch Common Shares held by him or on behalf of any one beneficial owner and registered in the Dissenting SilverBirch Shareholder's name. SilverBirch Shareholders who have voted in favour of the Arrangement Resolution, in person or by proxy, shall not be accorded a right of dissent. **Persons who are beneficial owners of SilverBirch Common Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent, should be aware that only the registered owner of such SilverBirch Common Shares is entitled to dissent. Accordingly, a beneficial owner of SilverBirch Common Shares desiring to exercise his right of dissent must make arrangements for the SilverBirch Common Shares beneficially owned by him to be registered in his name prior to the time the written objection to the Arrangement Resolution is required to be received by SilverBirch or, alternatively, make arrangements for the registered holder of his SilverBirch Common Shares to dissent on his behalf.**

**A Dissenting SilverBirch Shareholder must send to SilverBirch a written objection to the Arrangement Resolution, which written objection must be received by SilverBirch c/o its counsel Blake, Cassels & Graydon LLP, 3500, 855 – 2<sup>nd</sup> Street S.W., Calgary, Alberta, T2P 4J8, Attention: Pat Finnerty, by 5:00 p.m. (Calgary time) on March 21, 2012. No SilverBirch Shareholder who has voted in favour of the Arrangement shall be entitled to dissent with respect to the Arrangement.**

SilverBirch (or its successor) is required within ten days after the SilverBirch Shareholders adopt the Arrangement Resolution to notify each Dissenting SilverBirch Shareholder that the Arrangement Resolution has been adopted. Such notice is not required to be sent to any SilverBirch Shareholder who voted in favour of the Arrangement Resolution, or who has withdrawn the notice indicating his intention to exercise his Dissent Rights ("**Dissent Notice**").

A Dissenting SilverBirch Shareholder who has not withdrawn his Dissent Notice prior to the Meeting must, within 20 days after receipt of notice that the Arrangement Resolution has been adopted, or if the Dissenting SilverBirch Shareholder does not receive such notice, within 20 days after learning that the Arrangement Resolution has been adopted, send to SilverBirch the shareholder's name and address, the number and class of shares in respect of which the shareholder dissents (the "**Dissenting Shares**"), and a demand for payment of the fair value of such shares (collectively, the "**Demand for Payment**"). Within 30 days after sending the Demand for Payment, the Dissenting SilverBirch Shareholder must send to SilverBirch certificates representing the Dissenting Shares. SilverBirch or the Depositary will endorse on share certificates received from a Dissenting SilverBirch Shareholder a notice that the holder is a Dissenting SilverBirch Shareholder and will forthwith return the share certificates to the Dissenting SilverBirch Shareholder. A Dissenting SilverBirch Shareholder who fails to make a Demand for Payment in the time required, or to send certificates representing Dissenting Shares in the time required, has no right to make a claim under Section 190 of the CBCA.

Under Section 190 of the CBCA, as modified by the Plan of Arrangement and the Interim Order, after sending a Demand for Payment, a Dissenting SilverBirch Shareholder ceases to have any right as a SilverBirch Shareholder in respect of its Dissenting Shares other than the right to be paid the fair value of the Dissenting Shares by Teck as determined pursuant to the Interim Order, unless: (i) the Dissenting SilverBirch Shareholder withdraws its Demand for Payment before SilverBirch makes an Offer to Pay (as defined below); or (ii) SilverBirch fails to make an Offer to Pay (as defined below) in accordance with Subsection 190(12) of the CBCA and the Dissenting SilverBirch Shareholder withdraws the Demand for Payment, in which case the Dissenting SilverBirch Shareholder's rights as a SilverBirch Shareholder will be reinstated as of the date the Demand for Payment was sent.

Pursuant to the Plan of Arrangement, in no case shall SilverBirch or Teck or any other person be required to recognize any Dissenting SilverBirch Shareholder as a SilverBirch Shareholder after the Effective Time, and the names of such shareholders shall be deleted from the list of the registered holders of SilverBirch Common Shares at the Effective Time.

Pursuant to the Plan of Arrangement, Dissenting SilverBirch Shareholders who are ultimately determined to be entitled to be paid the fair value for their Dissenting Shares shall be deemed to have transferred such Dissenting Shares to Teck in exchange for a debt claim against Teck to be paid fair value for their Dissenting Shares.

Pursuant to the Plan of Arrangement, Dissenting SilverBirch Shareholders who are ultimately determined not to be entitled, for any reason (including, for clarity, any Dissenting SilverBirch Shareholder electing to withdraw their dissent), to be paid the fair value for their Dissenting Shares, shall be deemed to have participated in the Arrangement on the same basis as any non-Dissenting SilverBirch Shareholder as at and from the Effective Time.

SilverBirch (or its successor) is required, not later than seven days after the later of the Effective Date and the date on which a Demand for Payment is received from a Dissenting Shareholder, to send to each Dissenting SilverBirch Shareholder who has sent a Demand for Payment a written offer to pay for its Dissenting Shares ("**Offer to Pay**") in an amount considered to be the fair value of the SilverBirch Common Shares, accompanied by a statement showing the manner in which the fair value was determined. Every Offer to Pay for SilverBirch Common Shares must be on the same terms. Payment for the Dissenting Shares of a Dissenting SilverBirch Shareholder must be made within ten days after an Offer to Pay has been accepted by a Dissenting SilverBirch Shareholder, but such offer lapses if SilverBirch (or its successor) does not receive an acceptance within 30 days after the Offer to Pay has been made.

If SilverBirch (or its successor) fails to make an Offer to Pay for a Dissenting SilverBirch Shareholder's SilverBirch Common Shares, or if a Dissenting SilverBirch Shareholder fails to accept an Offer to Pay that has been made, SilverBirch (or its successor) may, within 50 days after the Effective Date or within such further period as a court may allow, apply to a court to fix a fair value for the Dissenting Shares. If SilverBirch (or its successor) fails to apply to a court as described above, a Dissenting SilverBirch Shareholder may apply to a court for the same purpose within a further 20 days or within such further period as a court may allow. A Dissenting SilverBirch Shareholder is not required to give security for costs in such an application or an application made by SilverBirch as described above. Any such application must be made to a court in Alberta or a court having jurisdiction in the place where the Dissenting SilverBirch Shareholder resides if SilverBirch carries on business in that province.

Before making any application to a court as described above, SilverBirch (or its successor) will be required to notify each affected Dissenting SilverBirch Shareholder of the date, place and consequences of the application and of a Dissenting SilverBirch Shareholder's right to appear and be heard in person or by counsel. Upon any such application to a court, all Dissenting SilverBirch Shareholders whose SilverBirch Common Shares have not been purchased will be joined as parties and be bound by the decision of the court. In addition, upon any such application to a court, the court may determine whether any other person is a Dissenting SilverBirch Shareholder who should be joined as a party, and the court will then fix a fair value for the Dissenting Shares of all Dissenting SilverBirch Shareholders. The final order of a court will be rendered in favour of each Dissenting SilverBirch Shareholder for the amount of the fair value of its Dissenting Shares as fixed by the court. The court may, in its discretion, allow a reasonable rate of interest on the amount payable to each Dissenting SilverBirch Shareholder for the Effective Date until the date of payment.

Unless waived by Teck, it is a condition to the obligations of the Parties to complete the Arrangement that Dissent Rights shall not have been exercised by the holders of more than five percent of the outstanding SilverBirch Common Shares.

We urge any SilverBirch Shareholder who is considering dissenting to the Arrangement to consult their own tax advisor with respect to the income tax consequences to them of such action. For a general summary of certain income tax implications to a Dissenting SilverBirch Shareholder, see "Tax Considerations to SilverBirch Shareholders – Certain Canadian Federal Income Tax Considerations" and "Tax Considerations to SilverBirch Shareholders – Certain United States Federal Income Tax Considerations".

## INFORMATION CONCERNING THE MEETING

### Purpose of the Meeting

**The information contained in this Information Circular is furnished in connection with the solicitation of proxies by the management of SilverBirch for use at the Meeting.** At the Meeting, SilverBirch Shareholders will consider and vote upon the Arrangement Resolution and a resolution relating to the SilverWillow Stock Option Plan, and such other business as may properly come before the Meeting.

**The SilverBirch Board of Directors has reviewed the terms of the Arrangement Agreement and has unanimously determined that the Arrangement is in the best interests of SilverBirch and has, based upon, among other things, the Fairness Opinions, unanimously determined that the Arrangement is fair to the SilverBirch Shareholders. Accordingly, the SilverBirch Board of Directors has unanimously approved the Arrangement and unanimously recommends that SilverBirch Shareholders vote in favour of the Arrangement Resolution. See "The Arrangement – Background and Reasons for the Arrangement" and "The Arrangement – Approval and Recommendation of the SilverBirch Board of Directors".**

**The completion of the Arrangement is not conditional upon approval of the SilverWillow Stock Option Plan at the Meeting. See "Other Matter of Special Business Relating to SilverWillow".**

#### **Date, Time and Place of Meeting**

The Meeting will be held at 2:30 p.m. (Calgary time) on Thursday, March 29, 2012 in the McMurray Room at the Calgary Petroleum Club, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta.

#### **General**

This Information Circular is furnished in connection with the solicitation of proxies by the management of SilverBirch for use at the Meeting of SilverBirch Shareholders at the place and for the purposes set out in the accompanying Notice of Meeting. As a SilverBirch Shareholder, you are invited to be present at the Meeting. To ensure that you will be represented at the Meeting in the event that you are a registered SilverBirch Shareholder and unable to attend personally, you are requested to date, complete and sign the accompanying instrument of proxy enclosed herewith and return the same to Equity Financial Trust Company in the enclosed addressed envelope or to Equity Financial Trust Company, Attn: Proxy Dept, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1 or by fax to the attention of Equity Financial Trust Company, Attn: Proxy Dept at 416-595-9593, no later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in Alberta) prior to the commencement of the Meeting or any adjournment thereof. The time limit for the deposit of proxies may be waived by the Chairman of the SilverBirch Board of Directors in his discretion, without notice. If you are not a registered SilverBirch Shareholder and receive these materials through your broker or through another intermediary, please complete and return the instrument of proxy in accordance with the instructions provided therein. See "Information Concerning the Meeting – Advice to Beneficial Holders of SilverBirch Common Shares".

The solicitation of proxies is intended to be primarily by mail but may also be made by telephone, fax transmission or other electronic means of communication or in person by the directors, officers and employees of SilverBirch. The cost of such solicitation will be borne by SilverBirch.

#### **Solicitation and Appointment of Proxies**

The individuals named in the accompanying form of proxy are officers and/or directors of SilverBirch. **A SilverBirch Shareholder wishing to appoint some other person (who need not be a SilverBirch Shareholder) to represent such shareholder at the Meeting has the right to do so, by inserting such person's name in the blank space provided in the form of proxy.** Such a SilverBirch Shareholder should notify the nominee of the appointment, obtain the nominee's consent to act as proxy and instruct the nominee on how the SilverBirch Shareholder's shares are to be voted. In any case, the form of proxy should be dated and executed by the SilverBirch Shareholder or the SilverBirch Shareholder's attorney authorized in writing or, if the SilverBirch Shareholder is a corporation, under its corporate seal, or by an officer or attorney thereof duly authorized. A proxy will not be valid for the Meeting or any adjournment or postponement thereof unless the completed form of proxy is delivered to Equity Financial Trust Company in the enclosed addressed envelope or to Equity Financial Trust Company in the enclosed addressed envelope or to Equity Financial Trust Company, Attn: Proxy Dept, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1 or by fax to the attention of Equity Financial Trust Company, Attn: Proxy Dept at 416-595-9593, not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in Alberta) prior to the commencement of the Meeting or any adjournment thereof. The time limit for the deposit of proxies may be waived by the Chairman of the SilverBirch Board of Directors in his discretion, without notice.

#### **Revocation of Proxies**

In addition to revocation in any other manner permitted by law, a SilverBirch Shareholder who has given a proxy may revoke it at any time before it is exercised, by instrument in writing executed by the SilverBirch Shareholder or by the



SilverBirch Shareholder's attorney authorized in writing and deposited either at the registered office of SilverBirch at any time up to and including the last business day preceding the day of the Meeting, or any adjournment or postponement thereof, at which the proxy is to be used, or with the Chair of the Meeting on the day of the Meeting or any adjournment or postponement thereof.

### Voting of Proxies

The persons named in the enclosed form of proxy have indicated their willingness to represent, as proxyholders, the SilverBirch Shareholders who appoint them. Each SilverBirch Shareholder may instruct its proxyholder how to vote his or her SilverBirch Common Shares by completing the blanks in the form of proxy.

SilverBirch Common Shares represented by properly executed proxy forms in favour of the persons designated in the enclosed proxy form will be voted or withheld from voting on any poll in accordance with the instructions made on the proxy forms and, if a SilverBirch Shareholder specifies a choice as to any matters to be acted on, such SilverBirch Shareholder's shares shall be voted accordingly. **In the absence of such instructions, such shares will be voted in favour of all matters identified in the Notice of Meeting accompanying this Information Circular.**

**The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments and variations to matters identified in the Notice of Meeting and with respect to any other matters which may properly come before the Meeting. At the time of printing this Information Circular, the management of SilverBirch was not aware of any such amendments, variations or other matters which may be presented for consideration at the Meeting.**

### Voting Shares and Principal Holders Thereof

SilverBirch's issued and outstanding voting securities as at February 28, 2012 consist of 50,006,031 SilverBirch Common Shares. SilverBirch Shareholders present in person or by proxy at the Meeting are entitled to one vote for each SilverBirch Common Share held on all matters to be considered and acted upon at the Meeting or any adjournment or postponement thereof.

SilverBirch has set the close of business on February 17, 2012 as the record date for the Meeting. SilverBirch will prepare a list of SilverBirch Shareholders of record at such time. SilverBirch Shareholders named on that list will be entitled to vote the SilverBirch Common Shares then registered in their name at the Meeting.

To the knowledge of the directors and officers of SilverBirch, as at the date of this Information Circular, there are no persons or companies who beneficially own, directly or indirectly, or control or direct SilverBirch Common Shares carrying ten percent or more of the voting rights attached to all of the SilverBirch Common Shares, except as set forth below:

Name	Number of SilverBirch Common Shares	Percentage of SilverBirch Common Shares
The Children's Investment Fund Management (UK) LLP <sup>(1)(8)</sup>	9,373,739 <sup>(1)</sup>	18.7% <sup>(4)(5)</sup>
West Face Capital Inc. <sup>(2)(8)</sup>	8,868,426 <sup>(2)</sup>	17.7% <sup>(4)(6)</sup>
Kevin Douglas <sup>(3)(8)</sup>	9,630,200 <sup>(3)</sup>	19.3% <sup>(4)(7)</sup>

#### Notes:

- (1) Based on The Children's Investment Fund Management (UK) LLP holdings of SilverBirch Common Shares disclosed in the Lock-Up Agreement among The Children's Investment Fund Management (UK) LLP, the Purchaser and Teck dated as of January 8, 2012.
- (2) Based on the West Face Capital Inc. holdings of SilverBirch Common Shares disclosed in the Lock-Up Agreement between West Face Capital Inc., the Purchaser and Teck dated as of January 8, 2012. This number does not include derivative equity swaps representing 600,000 SilverBirch Common Shares that are disclosed on the West Face Capital Inc. profile on the System for Electronic Disclosure by Insiders. West Face Capital Inc.'s interest in the 600,000 SilverBirch Common Shares are not subject to its Lock-Up Agreement as it is unable to exercise a vote in respect of such SilverBirch Common Shares.
- (3) Based on the Early Warning Report under Part 3 of National Instrument 62-103 - *The Early Warning System* filed with the securities regulatory authorities by Kevin Douglas on January 18, 2012. No subsequent filings have been noted to February 27, 2012.
- (4) Percentage based on the number of SilverBirch Common Shares issued and outstanding as at February 27, 2012.
- (5) On a fully-diluted basis The Children's Investment Fund Management (UK) LLP will exercise control or direction over 17.5 percent of the issued and outstanding SilverWillow Shares following the completion of the Arrangement.

- (6) On a fully-diluted basis West Face Capital Inc. will exercise control or direction over 16.6 percent of the issued and outstanding SilverWillow Shares following the completion of the Arrangement.
- (7) On a fully-diluted basis Kevin Douglas will exercise control or direction over 18.0 percent of the SilverWillow Shares following the completion of the Arrangement.
- (8) In connection with the completion of the Arrangement and based on their shareholdings noted above, The Children's Investment Fund Management (UK) LLP, West Face Capital Inc. and Kevin Douglas are expected to receive Cdn\$79,676,782 and 9,373,739 SilverWillow Shares, Cdn\$75,381,621 and 8,868,426 SilverWillow Shares and Cdn\$81,856,700 and 9,630,200 SilverWillow Shares, respectively, as consideration for their SilverBirch Common Shares.

### **Information for Beneficial Holders of SilverBirch Common Shares**

**The information set forth in this section is of significant importance to many investors in SilverBirch Common Shares who do not own shares in their own name.** SilverBirch Shareholders who do not hold their SilverBirch Common Shares in their own name (referred to in this Information Circular as "**Beneficial SilverBirch Shareholders**") should note that only proxies deposited by SilverBirch Shareholders whose names appear on the records of SilverBirch as the registered holders of SilverBirch Common Shares can be recognized and acted upon at the Meeting. If SilverBirch Common Shares are listed in an account statement provided to a SilverBirch Shareholder by a broker, then in almost all cases those SilverBirch Common Shares will not be registered in the SilverBirch Shareholder's name on the records of SilverBirch. Such SilverBirch Common Shares will more likely be registered under the names of the SilverBirch Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). SilverBirch Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial SilverBirch Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for their clients. Therefore, Beneficial SilverBirch Shareholders should ensure that instructions respecting the voting of their SilverBirch Common Shares are communicated to the appropriate persons.

Applicable regulatory policy in Canada requires intermediaries/brokers to seek voting instructions from Beneficial SilverBirch Shareholders in advance of shareholders meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial SilverBirch Shareholders in order to ensure that their SilverBirch Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial SilverBirch Shareholder by its broker (or the agent of that broker) is similar to the form of proxy provided to registered SilverBirch Shareholders by SilverBirch. However, its purpose is limited to instructing the registered SilverBirch Shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial SilverBirch Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically asks Beneficial SilverBirch Shareholders to return proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting voting of shares to be represented at the Meeting. **A Beneficial SilverBirch Shareholder receiving a Broadridge proxy cannot use that proxy to vote SilverBirch Common Shares directly at the Meeting. The Broadridge proxy must be returned to Broadridge well in advance of the Meeting in order to have the SilverBirch Common Shares voted.**

Although a Beneficial SilverBirch Shareholder may not be recognized directly at the Meeting for the purposes of voting SilverBirch Common Shares registered in the name of the Beneficial SilverBirch Shareholder's broker (or agent of the broker), a Beneficial SilverBirch Shareholder may attend the Meeting as proxyholder for the registered SilverBirch Shareholder and vote the SilverBirch Common Shares in that capacity. Beneficial SilverBirch Shareholders who wish to attend at the Meeting and indirectly vote their SilverBirch Common Shares as proxyholder for the registered SilverBirch Shareholder should enter their own names in the blank space on the instrument of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

**If you have any questions respecting the voting of SilverBirch Common Shares held through an intermediary (such as a bank, trust company, securities broker, trustee or other), please contact that intermediary for assistance.**

### **Depository**

SilverBirch has engaged Equity Financial Trust Company to act as Depository for the receipt of certificates representing SilverBirch Common Shares and Letters of Transmittal deposited pursuant to the Arrangement. The Depository will receive reasonable and customary compensation for its services in connection with the Arrangement, will be reimbursed for certain

out-of-pocket expenses and will be indemnified by SilverBirch against certain liabilities under applicable securities laws and expenses in connection therewith.

No fee or commission is payable by any SilverBirch Shareholder who transmits its SilverBirch Common Shares directly to the Depository. Except as set forth above or elsewhere in this Information Circular, SilverBirch will not pay any fees or commissions to any broker or dealer or any other person for soliciting deposits of SilverBirch Common Shares pursuant to the Arrangement.

#### **Other Business**

The management of SilverBirch does not intend to present and does not have any reason to believe that others will present, at the Meeting, any item of business other than those set forth in this Information Circular. However, if any other business is properly presented at the Meeting and may properly be considered and acted upon, proxies will be voted by those named in the applicable form of proxy in their sole discretion, including with respect to any amendments or variations to the matters identified in this Information Circular.

#### **LEGAL MATTERS**

Certain legal matters in connection with the Arrangement will be passed upon on behalf of SilverBirch by Blake, Cassels & Graydon LLP and with respect to U.S. law by Paul, Weiss, Rifkind, Wharton & Garrison LLP. In addition, certain legal matters relating to Canadian federal income tax considerations will be passed upon on behalf of SilverBirch by Torys LLP. Certain legal matters in connection with the Arrangement will be passed upon by Stikeman Elliott LLP, on behalf of Teck. As at the date of this Information Circular, partners and associates of each of Torys LLP, Blake, Cassels & Graydon LLP and Stikeman Elliott LLP, respectively, owned beneficially, directly or indirectly, less than one percent of the outstanding SilverBirch Common Shares.

#### **LEGAL PROCEEDINGS**

There are no legal proceedings to which SilverBirch is a party that involve a claim for damages that exceed ten percent of the current assets of SilverBirch.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as disclosed under "The Arrangement – Interests of Certain Persons in the Arrangement" or as may otherwise be disclosed in the Information Circular, no informed person of SilverBirch, or any associate or affiliate of any informed person, has had any material interest, direct or indirect, in any transaction, or proposed transaction, which has materially affected or would materially affect SilverBirch or any of its subsidiaries since the commencement of the most recently completed financial year of SilverBirch.

#### **EXPERTS**

Sproule prepared the Sproule Report and the Sproule Audet Report. As at the dates of the Sproule Report and the Sproule Audet Report, the principals of Sproule owned beneficially, directly or indirectly, less than one percent of the outstanding SilverBirch Common Shares. The principals of Sproule will own beneficially, directly or indirectly, less than one percent of the outstanding SilverWillow Shares following completion of the Arrangement. Sproule neither received nor will receive any interest, direct or indirect, in any securities or other property of SilverBirch or its affiliates in connection with the preparation of the Sproule Report and the Sproule Audet Report.

KPMG LLP are the auditors of SilverBirch and have confirmed that they are independent with respect to SilverBirch within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

## CONSENTS

### Consent of KPMG LLP

We have read the information circular of SilverBirch Energy Corporation dated February 28, 2012 relating to the arrangement involving SilverBirch Energy Corporation, Teck Resources Limited, 8071667 Canada Inc. and SilverWillow Energy Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned information circular of our report to the shareholders of SilverBirch Energy Corporation on the balance sheet of SilverBirch Energy Corporation as at December 31, 2010 and the statements of loss, comprehensive loss and deficit, and cash flows for the period from incorporation on June 25, 2010 to December 31, 2010. Our report is dated April 15, 2011.

We consent to the use in the above-mentioned information circular of our report to the board of directors of SilverBirch Energy Corporation on the schedule of exploration and evaluation assets and property and equipment comprised in the spin-off assets of SilverBirch Energy Corporation as at September 30, 2011, and notes comprising a summary of significant accounting policies and other explanatory information. Our report is dated February 28, 2012.

We consent to the use in the above-mentioned information circular of our report to the board of directors of SilverWillow Energy Corporation on the statement of financial position of SilverWillow Energy Corporation as at January 5, 2012, and notes, comprising other explanatory information. Our report is dated February 28, 2012.

Calgary, Canada  
February 28, 2012

(Signed) "KPMG LLP"  
Chartered Accountants

### Consent of Torys LLP

We have read the information circular (the "**Information Circular**") of SilverBirch Energy Corporation ("**SilverBirch**") dated February 28, 2012 relating to the special meeting of shareholders of SilverBirch to approve an arrangement under the *Canada Business Corporations Act* involving, among others, SilverBirch, Teck Resources Limited, 8071667 Canada Inc. and SilverWillow Energy Corporation. We consent to the inclusion in the Information Circular of our opinion contained under "Tax Considerations to SilverBirch Shareholders – Certain Canadian Federal Income Tax Considerations" and references to our firm name and our opinion therein.

Calgary, Canada  
February 28, 2012

(Signed) "Torys LLP"

### Consent of RBC Dominion Securities Inc.

We have read the information circular (the "**Information Circular**") of SilverBirch Energy Corporation ("**SilverBirch**") dated February 28, 2012 relating to the special meeting of shareholders of SilverBirch to approve an arrangement under the *Canada Business Corporations Act* involving, among others, SilverBirch, Teck Resources Limited, 8071667 Canada Inc. and SilverWillow Energy Corporation. We consent to the inclusion in the Information Circular of our fairness opinion dated January 8, 2012 and references to our firm name and our fairness opinion in the Information Circular.

Calgary, Canada  
February 28, 2012

(Signed) "RBC Dominion Securities Inc."

**Consent of TD Securities Inc.**

We have read the information circular (the "**Information Circular**") of SilverBirch Energy Corporation ("**SilverBirch**") dated February 28, 2012 relating to the special meeting of shareholders of SilverBirch to approve an arrangement under the *Canada Business Corporations Act* involving, among others, SilverBirch, Teck Resources Limited, 8071667 Canada Inc. and SilverWillow Energy Corporation. We consent to the inclusion in the Information Circular of our fairness opinion dated January 8, 2012 and references to our firm name and our fairness opinion in the Information Circular.

Calgary, Canada  
February 28, 2012

(Signed) "*TD Securities Inc.*"

**Consent of Sproule Unconventional Limited**

We have read the information circular (the "**Information Circular**") of SilverBirch Energy Corporation ("**SilverBirch**") dated February 28, 2012 relating to the special meeting of shareholders of SilverBirch to approve an arrangement under the *Canada Business Corporations Act* involving, among others, SilverBirch, Teck Resources Limited, 8071667 Canada Inc. and SilverWillow Energy Corporation.

We consent to the incorporation by reference in the Information Circular of our report on resources data entitled "Contingent Bitumen Resource Estimates for the Frontier and Equinox Oil Sands Mining Projects" effective December 31, 2010 (the "**Sproule Report**").

We consent to the inclusion in the Information Circular of our report entitled "Technical Review of the Audet Lands in the Athabasca Oil Sands Region of Alberta for SilverBirch Energy Corporation and SilverWillow Energy Corporation" effective September 30, 2011 (the "**Sproule Audet Technical Review**") and the resources information derived therefrom.

We consent to the incorporation by reference in the Information Circular of resources information derived from our report entitled "Estimation of the Bitumen-In-Place Volumes of SilverBirch Energy Corporation in the Audet Area, Alberta" effective September 30, 2011 (the "**Sproule Audet Report**").

We consent to the inclusion in the Information Circular of information derived from our report entitled "Technical Review of the Birch Mountain Lands in the Athabasca Oil Sands Region of Alberta for SilverBirch Energy Corporation and SilverWillow Energy Corporation" effective December 31, 2011 (the "**Sproule Birch Mountain Technical Review**").

We consent to the inclusion in the Information Circular of information derived from our report entitled "Contingent Bitumen Resource Estimates for the Frontier and Equinox Oil Sands Mining Projects" effective December 31, 2011 (the "**2011 Sproule Report**").

We consent to the references to our firm name, the Sproule Report, the Sproule Audet Report, the Sproule Audet Technical Review, the Sproule Birch Mountain Technical Review and the 2011 Sproule Report in the Information Circular.

Calgary, Canada  
February 28, 2012

(Signed) "*Sproule Unconventional Limited*"

**APPROVAL OF THE SILVERBIRCH BOARD OF DIRECTORS**

The contents of this Information Circular and its sending to SilverBirch Shareholders have been approved by the SilverBirch Board of Directors.

**DATED** at Calgary, Alberta, this 28<sup>th</sup> day of February, 2012

**BY ORDER OF THE BOARD OF DIRECTORS  
OF SILVERBIRCH ENERGY CORPORATION**

(Signed) "*Donald R. Ingram*"  
Chairman of the Board of Directors

## APPENDIX A – ARRANGEMENT RESOLUTION

### FORM OF ARRANGEMENT RESOLUTION

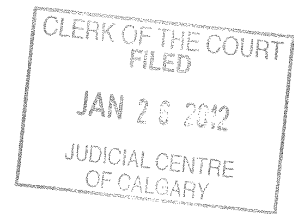
BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE HOLDERS OF COMMON SHARES OF SILVERBIRCH ENERGY CORPORATION THAT:

1. The arrangement (the "**Arrangement**") under Section 192 of the *Canada Business Corporations Act* (the "**CBCA**") of SilverBirch Energy Corporation (the "**Company**"), as more particularly described and set forth in the Information Circular of the Company dated February 28, 2012 (the "**Circular**") accompanying the notice of this meeting (as the Arrangement may be modified or amended), is hereby authorized, approved and adopted.
2. The plan of arrangement, as it may be or have been amended, (the "**Plan of Arrangement**") involving the Company, the full text of which is set out in Schedule "A" to the Arrangement Agreement dated as of January 8, 2012, between Teck Resources Limited, 8071667 Canada Inc. and the Company (the "**Arrangement Agreement**"), is hereby authorized, approved and adopted.
3. The Arrangement Agreement, the actions of the directors of the Company in approving the Arrangement and the actions of the officers of the Company in executing and delivering the Arrangement Agreement and any amendments thereto are hereby ratified and approved.
4. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the shareholders of the Company or that the Arrangement has been approved by the Court, the directors of the Company are hereby authorized and empowered, at their discretion, without further notice to or approval of the shareholders of the Company (i) to amend the Arrangement Agreement, or the Plan of Arrangement to the extent permitted by the Arrangement Agreement and approved by the Court, and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.
5. Any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to make application to the Court for an order approving the Arrangement and to deliver to the Director a certified copy of the Final Order (as defined in the Arrangement Agreement) and to execute and, if appropriate, deliver such other documents as are necessary or desirable to the Director for registration pursuant to the CBCA in accordance with the Arrangement Agreement.
6. Any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to execute or cause to be executed and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or desirable to give full effect to the foregoing resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

**APPENDIX B – ORIGINATING APPLICATION AND INTERIM ORDER**



Form 7  
[Rule 3.8]



Clerk's stamp:

COURT FILE NUMBER 1201-00815  
COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE OF **CALGARY**

**IN THE MATTER OF** SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985, c. C-44, AS AMENDED

**AND IN THE MATTER OF** A PROPOSED ARRANGEMENT INVOLVING SILVERBIRCH ENERGY CORPORATION, TECK RESOURCES LIMITED, 8071667 CANADA INC., SILVERWILLOW ENERGY CORPORATION AND THE SECURITYHOLDERS OF SILVERBIRCH ENERGY CORPORATION

DOCUMENT

**ORIGINATING APPLICATION**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS DOCUMENT

**BLAKE, CASSELS & GRAYDON LLP**  
3500, 855 – 2<sup>nd</sup> Street S.W.  
Calgary, AB T2P 4J8

Attn: David Tupper/Melanie Gaston

Telephone: 403-260-9732  
Facsimile: 403-260-9700  
Email: melanie.gaston@blakes.com

File Ref.: 89877/5

Date April 2, 2012  
Time 2:00 p.m. (MST)  
Where Calgary Courts Centre, 601 - 5 Street SW, Calgary, AB, T2P 5P7  
Before Justice K.M Eidsvik

**Basis for this Originating Application**

1. This originating application (the "**Application**") is filed with the Court of Queen's Bench of Alberta, Judicial District of Calgary (the "**Court**") on behalf of SilverBirch Energy Corporation ("**SilverBirch**") with respect to a proposed arrangement (the "**Arrangement**") under Section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "**CBCA**"), involving SilverBirch, Teck Resources Limited ("**Teck**"), 8071667 Canada Inc. ("**Purchaser**"), SilverWillow Energy Corporation ("**SilverWillow**"), holders of common shares of SilverBirch ("**SilverBirch Shareholders**") and holders of share purchase options of SilverBirch (collectively the "**Arrangement Parties**"), which Arrangement is described in greater detail in the Information Circular of SilverBirch attached to the Affidavit of Howard J. Lutley, to be filed.
2. SilverBirch is a federally registered Canadian corporation, with its head office located in Calgary, Alberta.
3. SilverBirch is not insolvent, is able to pay its liabilities as they become due, and the realizable value of SilverBirch's assets is more than the aggregate of its liabilities and stated capital of all classes.
4. Teck is a federally registered Canadian corporation, extraprovincially registered in Alberta.
5. SilverWillow is a federally registered Canadian corporation, with its registered office located in Calgary, Alberta. SilverWillow is a wholly-owned subsidiary of SilverBirch.
6. Purchaser is a federally registered Canadian corporation and a wholly-owned subsidiary of Teck.
7. It is not practicable to effect a fundamental change of the nature contemplated by the Arrangement under any provision of the CBCA other than Section 192 thereof.
8. The Arrangement is fair to the persons affected by the Arrangement, including the SilverBirch Shareholders.

---

9. The Order of this Honourable Court approving the Arrangement will constitute a basis for an exemption from the registration requirements of the *Securities Act of 1933* of the United States of America, as amended, with respect to the securities to be issued pursuant to the Arrangement.
10. Notice of this Application has been given to the Director as required by Section 192(5) of the CBCA.

**Remedy Sought**

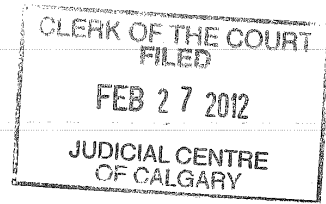
11. In advance of the hearing of the Application, SilverBirch intends to seek an Interim Order and directions for, among other things:
  - (a) the calling and holding of a meeting of the SilverBirch Shareholders (the "**Meeting**") to consider and vote upon the Arrangement;
  - (b) the giving of notice of the Meeting;
  - (c) a declaration that the registered SilverBirch Shareholders shall have the right to dissent in respect of the Arrangement in accordance with the provisions of Section 190 of the CBCA, as modified by the Interim Order;
  - (d) the manner of conducting the vote at the Meeting;
  - (e) the return of this Application; and
  - (f) such other matters as may be required for the proper consideration of the Arrangement.
  
12. At the hearing of the Application, SilverBirch intends to seek:
  - (a) a declaration that the terms and conditions of the Arrangement, and the procedures relating thereto, are fair to the persons affected, including SilverBirch and the SilverBirch Shareholders;
  - (b) an Order approving the Arrangement pursuant to the provisions of Section 192 of the CBCA and pursuant to the terms and conditions of the Arrangement Agreement as described in the Affidavit of Howard J. Lutley;
  - (c) a declaration that the Arrangement, upon the filing of the Articles of Arrangement with the director appointed under Section 260 of the CBCA (the "**Director**") and the issuance of a certificate of arrangement by the Director, pursuant to the provisions of Section 192 of the CBCA, will become effective in accordance with its terms and will be binding on each of the Arrangement Parties, together with PartnerCo and Frontier Energy Partnership, on and after the Effective Date, all as defined in the Arrangement; and
  - (d) such other and further orders, declarations and directions as the Court may deem just.

**Materials Relied Upon**

13. The materials upon which SilverBirch intends to rely include the Affidavits of Howard J. Lutley, to be sworn February 16, 2012, and March 29, 2012, to be filed.

**Rules and Statutes Relied Upon**

14. This Application is made in reliance on Section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended.



Clerk's stamp:

COURT FILE NUMBER 1201-00815  
COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE OF CALGARY

**IN THE MATTER OF SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985, c. C-44, AS AMENDED**

**AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING SILVERBIRCH ENERGY CORPORATION, TECK RESOURCES LIMITED, 8071667 CANADA INC., SILVERWILLOW ENERGY CORPORATION AND THE SECURITYHOLDERS OF SILVERBIRCH ENERGY CORPORATION**

DOCUMENT

**INTERIM ORDER**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS DOCUMENT

**BLAKE, CASSELS & GRAYDON LLP**  
3500, 855 – 2<sup>nd</sup> Street S.W.  
Calgary, AB T2P 4J8

Attn: David Tupper/Melanie Gaston

Telephone: 403-260-9732  
Facsimile: 403-260-9700  
Email: [melanie.gaston@blakes.com](mailto:melanie.gaston@blakes.com)

File Ref.: 89877/5

DATE ON WHICH ORDER WAS PRONOUNCED: **FEBRUARY 27, 2012**

NAME OF JUDGE WHO MADE THIS ORDER: **JUSTICE K.M. EIDSVIK**

**INTERIM ORDER**

UPON the Originating Application (the "**Application**") of SilverBirch Energy Corporation ("**SilverBirch**") pursuant to Section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended ("**CBCA**");

AND UPON reading the Affidavit of Howard J. Lutley, sworn February 24, 2012 (the "**Affidavit**") and the documents referred to therein;

AND UPON hearing counsel for SilverBirch;

AND UPON noting the consent of Teck Resources Limited. ("**Teck**"), 8071667 Canada Inc. ("**Purchaser**") and SilverWillow Energy Corporation ("**SilverWillow**");

AND UPON noting that the Director (the "**Director**") appointed under the CBCA has been served with notice of this application as required by subsection 192(5) of the CBCA and that the Director did not intend to appear or be heard with respect to this application;

**FOR THE PURPOSES OF THIS ORDER:**

- (a) the capitalized terms not defined in this Order shall have the meanings attributed to them in the Information Circular of SilverBirch (the "**Information Circular**"), a draft copy of which is attached as Exhibit A to the Affidavit;
- (b) all references to "Arrangement Agreement" used herein mean the Arrangement Agreement dated January 8, 2012 among Teck, Purchaser and SilverBirch, a copy of which is attached as Appendix C to the Information Circular, as it may be amended or amended and restated from time to time in accordance with its terms; and
- (c) all references to "Arrangement" used herein mean the plan of arrangement as described in the Affidavit and in the form attached as Appendix D to the Information Circular, as it may be amended or amended and restated from time to time in accordance with its terms and the Arrangement Agreement.

**IT IS HEREBY ORDERED AND ADJUDGED THAT:**

1. The proposed course of action is an "arrangement" within the definition of the CBCA and SilverBirch, Teck, Purchaser and SilverWillow may proceed as set out herein.

**IT IS HEREBY FURTHER ORDERED THAT:**

**General**

2. SilverBirch shall seek approval of the Arrangement by the holders (the "**SilverBirch Shareholders**") of common shares of SilverBirch (the "**SilverBirch Shares**") in the manner set forth below.

**Meeting**

3. SilverBirch shall call and conduct a special meeting (the "**Meeting**") of SilverBirch Shareholders on March 29, 2012 at 2:30 p.m. Calgary time. At the Meeting, SilverBirch Shareholders will consider and vote upon the Arrangement Resolution and such other business as may properly be brought before the Meeting or any adjournment or postponement thereof, all as more particularly described in the Information Circular. The Meeting shall be held and conducted in accordance with the applicable provisions of the CBCA, the by-laws of SilverBirch in effect at the relevant time, the Information

Circular, the rulings and directions of the Chair of the Meeting, this Order and any further Order of this Court. To the extent that there is any inconsistency or discrepancy between this Order and the CBCA, the by-laws or articles of SilverBirch, or the terms of the SilverBirch Option Plan, the terms of this Order shall govern.

4. The quorum required at the Meeting shall be two persons, either present in person or represented by proxy, and representing in the aggregate not less than 10% of the outstanding SilverBirch Shares. If, within 30 minutes from the time appointed for the Meeting, a quorum is not present, the Meeting shall be adjourned to such business day that is not less than 14 days following the day appointed for the Meeting, and to such time and place as may be appointed by the Chair of the Meeting. Not less than ten days' prior written notice by way of press release shall be given of the time and place of the adjourned Meeting. If at such adjourned Meeting a quorum is not present, the SilverBirch Shareholders present in person or by proxy shall be a quorum for all purposes.
5. The Board of Directors of SilverBirch has fixed a record date for the Meeting of February 17, 2012 (the "**Record Date**"). Only SilverBirch Shareholders whose names have been entered on the register of SilverBirch Shares at the close of business on the Record Date will be entitled to receive notice of the Meeting and to vote at the Meeting. Each SilverBirch Shareholder shall be entitled to one vote at the Meeting in respect of the Arrangement Resolution for each SilverBirch Share held.
6. The Chair of the Meeting shall be any officer or director of SilverBirch.
7. The only persons entitled to attend and speak at the Meeting shall be SilverBirch Shareholders or their authorized representatives, SilverBirch's counsel, directors and officers and its auditors, representatives of Teck, the scrutineers for the meeting and their representatives, the Director and other persons with the permission of the Chair of the Meeting.
8. The requisite approval for the Arrangement Resolution shall be: (a) not less than 66<sup>2/3</sup>% of the votes cast by the SilverBirch Shareholders, present in person or by proxy, at the Meeting and (b) a majority of the votes cast by the SilverBirch Shareholders, present in person or by proxy, at the Meeting, other than those required to be excluded in determining such approval pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*. For this purpose any spoiled votes, illegible votes, defective votes and abstentions shall be deemed not to be votes cast.
9. To be valid a proxy must be deposited with SilverBirch in the manner described in the Information Circular. Proxies that are signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution.

10. Any accidental omission to give notice of the Meeting or the non-receipt of the notice shall not invalidate any resolution passed or proceedings taken at the Meeting.

#### **Adjournments and Postponements**

11. SilverBirch, if it deems it to be advisable, and subject to the terms of the Arrangement Agreement, may adjourn or postpone the Meeting on one or more occasions and for such period or periods of time as SilverBirch deems advisable, without the necessity of first convening such Meeting or first obtaining any vote of SilverBirch Shareholders respecting the adjournment or postponement, and notice of any such adjournment or postponement shall be given by press release, newspaper advertisement, or by notice to the SilverBirch Shareholders by one of the methods specified in this Order, as determined to be the most appropriate method of communication by the Board of Directors of SilverBirch. If the Meeting is adjourned or postponed in accordance with this Order, the references to the Meeting in this Order shall be deemed to be the Meeting as adjourned or postponed.

#### **Amendments to Arrangement**

12. SilverBirch is authorized to make such amendments, revisions or supplements to the Arrangement as it may determine necessary or desirable, provided that such amendments are made in accordance with and in the manner contemplated by the Arrangement and the Arrangement Agreement, without any additional notice to SilverBirch Shareholders, or holders of share purchase options of SilverBirch (the "SilverBirch Option Holders") unless this Honourable Court shall direct otherwise.

#### **Solicitation of Proxies**

13. SilverBirch is authorized to use the proxies enclosed with the Information Circular, subject to its ability to insert dates and other relevant information in the final form of such proxy. SilverBirch and Teck are each authorized, at their expense, to solicit proxies, directly and through their officers, directors and employees, and through such agents or representatives as they may retain for that purpose, and such solicitation may be by mail or such other forms of personal and electronic communication as they may determine.

#### **Dissent Rights**

14. The registered SilverBirch Shareholders are, subject to the provisions of this Order and the Arrangement, accorded the right of dissent under Section 190 of the CBCA with respect to the Arrangement Resolution.

15. In order for a registered SilverBirch Shareholder to exercise such right of dissent (a "**Dissenting Shareholder**") under Section 190 of the CBCA:
  - (a) the Dissenting Shareholder's written objection to the Arrangement Resolution must be received by SilverBirch c/o its counsel Blake, Cassels & Graydon LLP, 3500, 855 – 2nd Street S.W., Calgary, Alberta, T2P 4J8, Attention: Pat Finnerty by 5:00 p.m. (Calgary time) on March 21, 2012;
  - (b) a Dissenting Shareholder shall not have voted any of his or her SilverBirch Shares at the Meeting, either by proxy or in person, in favour of the Arrangement Resolution;
  - (c) a SilverBirch Shareholder may not exercise the right of dissent in respect of only a portion of the holder's SilverBirch Shares but may dissent only with respect to all of the SilverBirch Shares held by the SilverBirch Shareholder;
  - (d) the exercise of such right of dissent must otherwise comply with the requirements of Section 190 of the CBCA, as modified by this Interim Order; and
  - (e) a vote against the Arrangement Resolution or an abstention shall not constitute the written objection required under subparagraph (a) above.
16. The fair value of the SilverBirch Shares (the "**Fair Value**") shall be determined as of the close of business on March 28, 2012, and shall be paid to the Dissenting Shareholders by Teck, as contemplated by the Arrangement and this Interim Order.
17. Any Dissenting Shareholder who duly exercises the right of dissent, as set out in paragraphs 14 and 15 above, and who:
  - (a) is determined to be entitled to be paid Fair Value for any SilverBirch Shares, shall be deemed to have transferred those SilverBirch Shares to Teck as provided in the Arrangement, without any further act or formality and free and clear of all liens, claims and encumbrances, in exchange for a debt claim against Teck to be paid Fair Value in respect of such SilverBirch Shares; or
  - (b) is, for any reason (including, for clarity, any Dissenting Shareholder electing to withdraw their dissent), determined not to be entitled to be paid Fair Value for the SilverBirch Shares, shall be deemed to have participated in the Arrangement on the same basis and at the same time as any non-dissenting Shareholder;



but in no case shall SilverBirch, Teck, Purchaser, and SilverWillow, or any other person be required to recognize such SilverBirch Shareholders as holders of SilverBirch Shares at or after the date upon which the Arrangement becomes effective and the names of such SilverBirch Shareholders shall be deleted from the register of SilverBirch Shares.

18. Subject to further order of this Court, the rights available to the SilverBirch Shareholders under the CBCA and the Arrangement to dissent from the Arrangement Resolution shall constitute full and sufficient rights of dissent for the SilverBirch Shareholders with respect to the Arrangement Resolution.
19. Notice to the SilverBirch Shareholders of their right of dissent with respect to the Arrangement Resolution and to receive, subject to the provisions of the CBCA and the Arrangement, the Fair Value of their SilverBirch Shares shall be given by including information with respect to this right in the Information Circular to be sent to the SilverBirch Shareholders in accordance with this Order.

#### Notice

20. An Information Circular, substantially in the form attached as Exhibit A to the Affidavit with amendments thereto as SilverBirch may determine necessary or desirable (provided such amendments are made in compliance with the Arrangement Agreement and are not inconsistent with the terms of this Order), including a Notice of Special Meeting of the SilverBirch Shareholders (the "**Notice of Meeting**"), Notice of Originating Application, the Originating Application and this Order, together with any other communications or documents determined by SilverBirch to be necessary or advisable (collectively, the "**Finalized Meeting Materials**"), shall be sent to those SilverBirch Shareholders who hold SilverBirch Shares as of the Record Date, the SilverBirch Option Holders, the directors of SilverBirch, the auditors of SilverBirch, and the Director by one or more of the following methods:
  - (a) in the case of registered SilverBirch Shareholders and the SilverBirch Option Holders, by first class or ordinary mail, by courier or by delivery in person, addressed to each such holder at his, her or its address, as shown on the books and records of SilverBirch as of the Record Date not later than 21 days prior to the Meeting;
  - (b) in the case of non-registered Shareholders, by providing sufficient copies of the Finalized Meeting Materials to intermediaries and registered nominees in a timely manner, in accordance with National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer*;

- (c) in the case of the directors of SilverBirch, by e-mail, pre-paid first class or ordinary mail, by courier or by delivery in person, addressed to the individual directors not later than 21 days prior to the date of the Meeting;
  - (d) in the case of the auditors of SilverBirch, by pre-paid first class or ordinary mail, by courier or by delivery in person, addressed to the firm of auditors not later than 21 days prior to the date of the Meeting; and
  - (e) in the case of the Director, by email, facsimile, by courier or by delivery in person, addressed to the Director not later than 5 business days prior to the date of the Meeting.
21. Delivery of the Finalized Meeting Materials in the manner directed by this Order shall be deemed to be good and sufficient service upon the SilverBirch Shareholders, SilverBirch Option Holders, the directors and auditors of SilverBirch and the Director of:
- (a) the Originating Application;
  - (b) this Order; and
  - (c) the Notice of the Meeting;

all in substantially the forms set forth in the Information Circular, together with instruments of proxy and such other material as SilverBirch may consider fit. Any amendments, updates or supplements to any of the information provided in the Finalized Meeting Materials may be communicated to SilverBirch Shareholders, the SilverBirch Option Holders and the directors and auditors of SilverBirch by press release, by posting such amendments, updates or supplements on the website of SilverBirch, by newspaper advertisement or by notice to such persons by ordinary mail, or by such other means as are determined to be the most appropriate method of communication by the directors of SilverBirch in the circumstances.

#### **Final Application**

22. Subject to further Order of this Court and provided that the SilverBirch Shareholders have approved the Arrangement in the manner directed by this Court and the directors of SilverBirch have not revoked their approval in accordance with the terms of the Arrangement Agreement, SilverBirch may proceed with an application for approval of the Arrangement and the Final Order on April 2, 2012, at 2:00 p.m. (Calgary time) or so soon thereafter as counsel may be heard at the Court House, Calgary, Alberta. Subject to the Final Order, and to the issuance of the Certificate of Arrangement, all

SilverBirch Shareholders, SilverBirch Option Holders, SilverBirch, Teck, Purchaser, SilverWillow, and all other persons will be bound by the Arrangement in accordance with its terms.

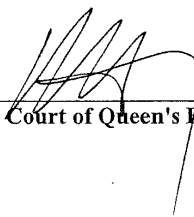
23. Any SilverBirch Shareholder, SilverBirch Option Holder, or any other interested party (other than Teck, the Purchaser and the Director) (together, an "**Interested Party**") desiring to appear and make submissions at the application for the Final Order is required to file with this Court and serve upon SilverBirch by 5:00 p.m. (Calgary time) on March 21, 2012, a Notice of Intention to Appear including the Interested Party's address for service, indicating whether such Interested Party intends to support or oppose the application or make submissions at the application, together with a summary of such Interested Party's position and any evidence or materials which the Interested Party intends to present to the Court. Service of this notice on SilverBirch shall be effected by service upon the solicitors for SilverBirch, Blake, Cassels & Graydon LLP, 3500, 855 – 2nd Street S.W., Calgary, Alberta, T2P 4J8, Attention: Melanie Gaston.
24. In the event that the application for the Final Order is adjourned, only those parties appearing before this Court for the application for the Final Order, and those Interested Parties serving a Notice of Intention to Appear in accordance with paragraph 23 of this Order, shall have notice of the adjourned date.

**Extra-Territorial Assistance**

25. SilverBirch seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body in Canada and any court or any judicial, regulatory or administrative body of the United States or other country to act in aid of and to assist this Honourable Court in carrying out the terms of this Interim Order.

**Leave to Vary Interim Order**

26. SilverBirch is, subject to the terms of the Arrangement Agreement, entitled at any time to seek leave to vary this Interim Order upon such terms and the giving of such notice as this Court may direct.

  
Justice of the Court of Queen's Bench of Alberta

**APPENDIX C – ARRANGEMENT AGREEMENT**

**TECK RESOURCES LIMITED**  
as the Parent

and

**8071667 CANADA INC.**  
as the Purchaser

and

**SILVERBIRCH ENERGY CORPORATION**  
as the Company

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**ARRANGEMENT AGREEMENT**

January 8, 2012

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## ARRANGEMENT AGREEMENT

**THIS AGREEMENT** is made as of January 8, 2012, among **TECK RESOURCES LIMITED**, a corporation existing under the federal laws of Canada (the "**Parent**"), **8071667 CANADA INC.**, a corporation existing under the federal laws of Canada (the "**Purchaser**") and a wholly-owned subsidiary of the Parent, and **SILVERBIRCH ENERGY CORPORATION**, a corporation existing under the federal laws of Canada (the "**Company**").

**WHEREAS** the Purchaser proposes to acquire all of the issued and outstanding Common Shares (as hereinafter defined) (the "**Acquisition**");

**AND WHEREAS** in connection with the Acquisition, the Company would retain the Retained Assets (as hereinafter defined), and transfer the Spin-Off Assets (as hereinafter defined), to **SILVERWILLOW ENERGY CORPORATION**, a wholly-owned subsidiary of the Company, ("**Newco**") and distribute the shares of Newco (the "**Newco Shares**") to the shareholders of the Company (the "**Spin-Off**", and together with the Acquisition, collectively hereinafter referred to as, the "**Transaction**");

**AND WHEREAS** the Parties intend to carry out the Transaction by way of a plan of arrangement under Section 192 of the CBCA (as hereinafter defined);

**NOW THEREFORE**, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties agree as follows:

### ARTICLE 1 INTERPRETATION

#### Section 1.1 Definitions

In this Agreement:

"**Acquisition**" has the meaning ascribed thereto in the Recitals;

"**Acquisition Proposal**" means, other than the Arrangement and the transactions contemplated by this Agreement, any offer, proposal or inquiry (written or oral) from any person or group of persons other than the Purchaser (or any affiliate of the Purchaser) after the date of this Agreement relating to (a) any sale or disposition (or any lease, long-term supply agreement or other arrangement having the same economic effect as a sale), direct or indirect, of assets representing all or a material portion of the Spin-Off Assets or representing 20% or more of the consolidated assets of the Company or contributing 20% or more of the consolidated revenue of the Company, or of 20% or more of the voting or equity securities of the Company or any of its subsidiaries (or rights or interests in such voting or equity securities) (b) any take-over bid, exchange offer or other transaction that, if consummated, would result in such person or group of persons beneficially owning 20% or more of any class of voting or equity securities of the Company or any of its subsidiaries (c) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or winding up involving the Company or any of its subsidiaries or (d) any other similar transaction or series of transactions involving the Company and/or any of its subsidiaries;

"**Advance Ruling Certificate**" means an advance ruling certificate issued by the Commissioner of Competition pursuant to section 102 of the Competition Act with respect to the transactions contemplated by this Agreement;

"**affiliate**" has the meaning ascribed thereto in the Securities Act;

"**Agreement**" means this arrangement agreement as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof;

"**Arrangement**" means an arrangement under Section 192 of the CBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the terms of this Agreement, the provisions of the Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of the Company and the Purchaser, each acting reasonably;

"**Arrangement Resolution**" means the special resolution of the holders of the Common Shares approving the Plan of Arrangement, to be substantially in the form and content of Schedule B;

"**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under subsection 192(6) of the CBCA to be filed with the Director after the Final Order has been granted, which shall include the Plan of Arrangement and otherwise be in a form and content satisfactory to the Company and the Purchaser, each acting reasonably;

"**bitumen**" means a heavy viscous crude oil;

"**Board**" means the board of directors of the Company;



“**business day**” means any day, other than a Saturday, a Sunday and a statutory holiday in Calgary, Alberta or Vancouver, British Columbia;

“**CBCA**” means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 and the regulations thereto, as now in effect and as it may be amended from time to time prior to the Effective Time;

“**Certificate of Arrangement**” means the certificate of arrangement to be issued by the Director pursuant to subsection 192(7) of the CBCA in respect of the Articles of Arrangement and giving effect to the Arrangement;

“**Closing Date**” has the meaning ascribed thereto in Section 2.4;

“**Commissioner of Competition**” means the Commissioner of Competition appointed pursuant to the Competition Act or a person designated or authorized pursuant to the Competition Act to exercise the powers and perform the duties of the Commissioner of Competition;

“**Common Shares**” means the common shares of the Company;

“**Company**” means SilverBirch Energy Corporation, a corporation existing under the federal laws of Canada;

“**Company Circular**” means the notice of the Company Meeting and the accompanying Company management information circular, including all schedules, appendices and exhibits thereto, and information incorporated by reference therein, to be sent to the Company Shareholders in connection with the Company Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of this Agreement;

“**Company Employees**” means all employees of the Company;

“**Company Financial Statements**” has the meaning ascribed thereto in Section 3.1(3)(n);

“**Company Meeting**” means the special meeting of the Company Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with this Agreement and the Interim Order to consider the Arrangement;

“**Company Options**” means the share purchase options of the Company granted under the Company Option Plan;

“**Company Option Plan**” means the amended and restated stock option plan of the Company effective as of September 30, 2010;

“**Company Plans**” has the meaning ascribed thereto in Section 3.1(3)(cc)(ii);

“**Company’s Organizational Documents**” means the certificate and articles of incorporation and by-laws of the Company, as amended;

“**Company’s Public Disclosure Record**” means all documents filed by or on behalf of the Company on SEDAR;

“**Company Shareholders**” means the holders of the Common Shares;

“**Competition Act**” means the *Competition Act* (Canada);

“**Competition Act Approval**” means, (i) the issuance of an Advance Ruling Certificate and such Advance Ruling Certificate has not been rescinded prior to Closing; (ii) the Purchaser and the Company have given the notice required under section 114 of the Competition Act with respect to the transactions contemplated by this Agreement and the applicable waiting period under section 123 of the Competition Act has expired or has been terminated in accordance with the Competition Act; or (iii) the obligation to give the requisite notice has been waived pursuant to paragraph 113(c) of the Competition Act, and, in the case of (ii) or (iii), the Purchaser has been advised in writing by the Commissioner of Competition that, in effect, such person is of the view that the Commissioner of Competition, at that time, does not intend to make an application under section 92 of the Competition Act in respect of the transactions contemplated by this Agreement (“**no-action letter**”) and any terms and conditions attached to any such advice are acceptable to the Purchaser acting reasonably and such advice has not been rescinded prior to Closing;

“**Competition Tribunal**” means the Competition Tribunal established under the *Competition Tribunal Act* (Canada);

“**Contract**” means any contract, agreement, license, franchise, lease, arrangement, commitment, understanding or other right or obligation (written or oral) to which the Company or any of its subsidiaries or predecessors is a party or by which the Company or any of its subsidiaries or predecessors is bound or affected or to which any of its or their properties or assets is subject;

“**Credit Facilities**” means the credit facilities of the Company with The Toronto-Dominion Bank and with the Royal Bank of Canada, each dated March 9, 2011, and each providing for a revolving secured credit facility in the maximum amount of \$5 million;

“**Court**” means the Court of Queen’s Bench of Alberta;

**“Depository”** means such institution as the Purchaser may determine with the approval of the Company, acting reasonably;

**“Designated Officers”** means collectively, Howard Lutley, Wayne Bobye and Jina Abells Morissette;

**“Director”** means the Director appointed under Section 260 of the CBCA;

**“Dissent Rights”** means the rights of dissent in respect of the Arrangement described in the Plan of Arrangement;

**“Effective Date”** means the date shown on the Certificate of Arrangement;

**“Effective Time”** has the meaning ascribed thereto in the Plan of Arrangement;

**“Environment”** means the natural environment (including soil, land surface or subsurface strata), surface waters, groundwater, sediment, ambient air (including all layers of the atmosphere), organic and inorganic matter and living organisms, and any other environmental medium or natural resource and all sewer systems;

**“Environmental Laws”** means all applicable Laws relating to public health and safety, noise control, pollution or the protection of the Environment or to the generation, production, installation, use, storage, treatment, transportation, Release or threatened Release of Hazardous Substances, including civil responsibility for acts or omissions with respect to the Environment, and all Permits issued pursuant to such Laws;

**“Equinox Project”** means the possible commercial oil sands mining project associated with the development of that portion of the Athabasca Oil Sands Area identified by Alberta Oil Sands Lease 14;

**“Exchange”** means either of the Toronto Stock Exchange or TSX Venture Exchange;

**“Fairness Opinions”** mean the opinions from each of RBC Dominion Securities Inc. and TD Securities Inc. to the Board as to the fairness, from a financial point of view, of the consideration being offered under the Arrangement to the Company Shareholders;

**“Final Order”** means the final order of the Court approving the Arrangement pursuant to subsection 192(4) of the CBCA, in a form acceptable to the Company and the Purchaser, each acting reasonably, as such order may be amended by the Court (with the consent of both the Company and the Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both the Company and the Purchaser, each acting reasonably) on appeal;

**“Frontier Costs”** means, at any date, all amounts owing by the Company to the Parent or its affiliates in respect of the Frontier Project as of such date, including all amounts owing by the Company in connection with the previously approved 2011 budget for the Frontier Project and fifty (50) percent of all cancellation costs incurred by the Parent or its affiliates in connection with the previously planned 2012 exploration program in respect of the Frontier Project, provided that Parent and its affiliates shall use commercially reasonable efforts to mitigate all such cancellation costs (but no other 2012 costs in respect of the Frontier Project);

**“Frontier Partnership”** means Frontier Energy Partnership, a general partnership to be formed under the laws of Alberta by the Company and PartnerCo pursuant to and in accordance with Section 5.2 hereof;

**“Frontier Partnership Contribution Agreement”** means an agreement in the form approved by the Purchaser to be entered into between the Company, PartnerCo and Frontier Partnership dated as of the Effective Date, pursuant to which, among other things, the Retained Assets will be transferred to Frontier Partnership pursuant to the Arrangement;

**“Frontier Project”** means the possible commercial oil sands mining project associated with the development of that portion of the Athabasca Oil Sands Area identified by Alberta Oil Sands Lease Numbers 311, 468, 470, 477, 610 and 840, and includes the Equinox Project;

**“GAAP”** means generally accepted accounting principles as set out in the Canadian Institute of Chartered Accountants Handbook – Accounting for an entity that prepares its financial statements in accordance with International Financial Reporting Standards, at the relevant time, applied on a consistent basis;

**“Governmental Entity”** means (a) any multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, ministry, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau or agency, domestic or foreign, (b) any subdivision, agent or authority of any of the foregoing, (c) any quasi-governmental or private body, including any tribunal, commission, regulatory agency or self-regulatory organization, exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, or (d) any stock exchange;

**“Hazardous Substances”** means any element, waste or other substance whether natural or artificial and whether consisting of gas, liquid, solid or vapour that is prohibited, listed, defined, designated or classified as dangerous, hazardous, radioactive, explosive or toxic or a pollutant or a contaminant under or pursuant to any applicable Environmental Laws, and specifically

including petroleum and all derivatives thereof or synthetic substitutes therefor and asbestos or asbestos-containing materials or any substance which is deemed under Environmental Laws to be deleterious to natural resources or worker or public health and safety;

“**including**” means including without limitation, and “**include**” and “**includes**” have corresponding meanings;

“**Indebtedness**” means, with respect to any person, without duplication, (a) indebtedness of such person for borrowed money, secured or unsecured, (b) every obligation of such person evidenced by bonds, debentures, notes, derived obligations or other similar instruments, (c) every obligation of such person under purchase money mortgages, conditional sale agreements or other similar instruments relating to purchased property or assets, (d) every capitalized or non-consolidated lease obligation of such person, (e) every obligation of such person under interest rate cap, swap, collar or similar transactions or currency hedging transactions (valued at the termination value thereof), and (f) every obligation of the type referred to above of any other person, the payment of which such person has guaranteed or for which such person is otherwise responsible or liable;

“**Interim Order**” means the interim order of the Court under subsection 192(4) of the CBCA in a form acceptable to the Company and the Purchaser, each acting reasonably, as contemplated by Section 2.3 providing for, among other things, the calling and holding of the Company Meeting, as the same may be amended by the Court with the consent of the Company and the Purchaser, each acting reasonably;

“**Law**” or “**Laws**” means all laws (including common law), by-laws, statutes, rules, regulations, principles of law and equity, orders, rulings, ordinances, judgments, injunctions, determinations, awards, decrees or other requirements, whether domestic or foreign, and the terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity or self-regulatory authority (including the Exchange), and the term “**applicable**” with respect to such Laws (including Environmental Laws) and in a context that refers to one or more Parties, means such Laws as are applicable to such Party or its business, undertaking, property or securities and emanate from a person having jurisdiction over the Party or Parties or its or their business, undertaking, property or securities;

“**Legal Actions**” has the meaning ascribed thereto in Section 3.1(3)(u);

“**Liens**” means any mortgage, hypothec, prior claim, lien, pledge, assignment for security, security interest, guarantee, third party right or other charge or encumbrance, or any collateral securing the payment obligations of any person, as well as any other agreement or arrangement with similar effect whatsoever;

“**Loan**” has the meaning ascribed thereto in Section 5.5(2);

“**Lock-up Agreements**” means the agreements to vote in favour of the Arrangement from each of the Locked-Up Directors and Officers and the Major Shareholders;

“**Locked-Up Directors and Officers**” means, collectively, Gregory A. Boland, Bonnie D. DuPont, Donald R. Ingram, Douglas H. Mitchell, Howard J. Lutley, Glen D. Roane, William Watson, Wayne I. Boby, Jina Abells Morissette, Philip M. Aldred, J. Cameron Bateman and Susan J. Pain;

“**Major Shareholders**” means collectively, West Face Capital Inc. and Children’s Investment Fund and “**Major Shareholder**” means either of them;

“**Material Adverse Effect**” means any change, event, occurrence, effect or circumstance that is, or could reasonably be expected to, (a) be material and adverse to the business, operations, results of operations, assets, properties, capitalization, financial condition, licenses, permits, leases, concessions, rights, liabilities (contingent or otherwise), prospects or privileges (whether contractual or otherwise) of the Company and its subsidiaries, taken as a whole (but excluding Newco and the Spin-Off Assets); or (b) materially impair or delay the consummation of the transactions contemplated by the Agreement by the Company beyond the Outside Date or materially impair or delay the ability of the Company to perform its obligations hereunder, but “**Material Adverse Effect**” shall not include any change, event, occurrence, effect or circumstance resulting from: (i) a matter that has been publicly disclosed prior to the date of the Arrangement Agreement or otherwise disclosed in writing by Company to the Purchaser prior to the date hereof, (ii) conditions affecting the oil and gas industry or oil sands industry generally; (iii) general economic, financial, currency exchange, securities or commodity market conditions in North America including, without limitation, changes in currency exchange rates or interest rates, (iv) changes in the market price of crude oil, bitumen or natural gas, (v) any adverse effect disclosed to and approved in writing by the Purchaser, or (vi) any adverse effect arising from the public announcement of the Arrangement; provided however, that with respect to subclauses (ii) and (iii), such matter does not have a materially disproportionate effect on the Company and its subsidiaries, taken as a whole, relative to other companies and entities at the same stage of development operating in the industry in which the Company operates; and provided further that for greater certainty a “**Material Adverse Effect**” shall not include any change, event, occurrence, effect or circumstance that is only material and adverse to Newco and the Spin-Off Assets and that is not also material and adverse to the Company based on its effect on the Retained Assets;

“**Material Contracts**” has the meaning ascribed thereto in Section 3.1(3)(w)(i);

**“material fact”** has the meaning ascribed thereto in the Securities Act;

**“MD&A”** has the meaning ascribed thereto in Section 3.1(3)(n);

**“MI 61-101”** means Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions;

**“Newco”** has the meaning ascribed thereto in the Recitals;

**“Newco Shares”** has the meaning ascribed thereto in the Recitals;

**“Outside Date”** means May 31, 2012, or such later date as may be agreed to in writing by the Parties, provided that if the Effective Date has not occurred by May 31, 2012 as a result of the failure to obtain all of the Regulatory Approvals, then any Party (provided that such Party is not then in material breach of its obligations under this Agreement) shall have the right to elect by notice in writing delivered prior to the Outside Date to extend such date from time to time by a specified period of not less than five (5) business days, provided that in aggregate such extensions shall not exceed thirty (30) calendar days;

**“Parent”** means Teck Resources Limited, a corporation existing under the federal laws of Canada;

**“PartnerCo”** means a new company to be incorporated by the Company under the CBCA for purposes of becoming a partner in Frontier Partnership as contemplated by Section 5.2;

**“Parties”** means, collectively, the Purchaser, the Parent and the Company, and **“Party”** means the Purchaser, the Parent or the Company;

**“Permit”** means any license, permit, certificate, franchise, consent, order, grant, easement, covenant, approval, classification, registration or other authorization of and from any person, including any Governmental Entity;

**“Permitted Liens”** means:

- (a) the royalty burdens, liens, adverse claims, penalties, reductions in interest and other encumbrances identified in respect of the Retained Leases and Retained Projects as disclosed in writing to the Purchaser prior to the date hereof, or set forth in Schedule A-2 to the form of Transfer Agreement attached hereto as Schedule D;
- (b) easements, rights of way, servitudes and similar rights in land including rights of way and servitudes for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone, telegraph or cable television conduits, poles, wires and cables, in existence on the date of this Agreement;
- (c) the right reserved to or vested in any Governmental Entity by the terms of any lease, licence, franchise, grant or permit forming part of the Retained Projects, or by any statutory provision, to terminate any lease, licence, franchise, grant or permit, or to require annual or other periodic payments as a condition of the continuance of them;
- (d) the right of general application reserved to or vested in any Governmental Entity to levy taxes on oil sands substances or the revenue from them, and governmental restrictions on production rates or on the operation of any property or otherwise affecting the value of any property;
- (e) the terms and conditions of the Retained Leases;
- (f) rights reserved to or vested in any Governmental Entity to control or regulate the Retained Projects in any manner and all applicable Laws;
- (g) Liens for Taxes, assessments or governmental charges which are not due;
- (h) the right reserved or vested in any person to create or incur a Lien that is a mechanics’ lien, builders’ lien or materialmen’s lien in respect of services rendered or goods supplied but only to the extent such Lien relates to goods or services for which payment is not due;
- (i) the reservations, limitations, provisos and conditions in any original grant from the Crown of any of the lands forming part of the Retained Projects or interests in them, and statutory exceptions to title;
- (j) Liens incurred, created and granted in the ordinary course of business to a public utility, municipality or Governmental Entity in connection with operations conducted with respect to the Retained Projects, but only to the extent those Liens relate to costs and expenses for which payment is not due; and
- (k) any Liens incurred, created and granted by, through or under Parent or its affiliates, as operator of any of the Retained Projects.

**“person”** includes an individual, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, association, body corporate, unincorporated organization, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;

**“Plan of Arrangement”** means the plan of arrangement substantially in the form of Schedule A hereto and any amendments or variations thereto made in accordance with the provisions of this Agreement, the Plan of Arrangement or made at the direction of the Court with the consent of the Company and the Purchaser, each acting reasonably;

**“Pre-Closing Taxes”** has the meaning set out in the form of Transfer Agreement attached as Schedule D hereto;

**“Preferred Shares”** means the preferred shares of the Company;

**“Post-Signing Returns”** has the meaning ascribed thereto in Section 7.11(a);

**“Pre-Acquisition Reorganization”** has the meaning ascribed thereto in Section 5.2;

**“Purchaser”** means 8071667 Canada Inc., a corporation existing under the federal laws of Canada and a wholly-owned subsidiary of the Parent;

**“Regulatory Approvals”** means (a) those sanctions, rulings, consents, orders, exemptions, permits and other approvals (including the lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of Governmental Entities set forth in Schedule C, and (b) such other sanctions, rulings, consents, orders, exemptions, permits and other approvals (including the lapse, without objection, of a prescribed time under any Law that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of Governmental Entities required to consummate the Plan of Arrangement, except, in the case of (b) only, for those sanctions, rulings, consents, orders, exemptions, permits and other approvals, the failure of which to obtain individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect and for greater certainty, except, in the case of (a) and (b), for such sanctions, rulings, consents, orders, exemptions, permits and other approvals required solely in connection with any Pre-Acquisition Reorganization;

**“Release”** has the meaning prescribed in any Environmental Law and includes any sudden, intermittent or gradual release, spill, leak, pumping, addition, pouring, emission, emptying, discharge, migration, injection, escape, leaching, disposal, dumping, deposit, spraying, burial, abandonment, incineration, seepage, placement or introduction of a Hazardous Substance, whether accidental or intentional, into the Environment;

**“Required Vote”** has the meaning ascribed thereto in Section 2.3(b);

**“Retained Assets”** has the meaning set out in the form of Transfer Agreement attached as Schedule D hereto;

**“Retained Cash”** means cash in an amount equal to the reasonably estimated amount of the Pre-Closing Taxes, calculated in accordance with Section 5.3 hereof;

**“Retained Leases”** has the meaning set out in the form of Transfer Agreement attached as Schedule D hereto;

**“Retained Projects”** has the meaning set out in the form of Transfer Agreement attached as Schedule D hereto;

**“Returns”** means all reports, filings, forms, elections, designations, notices, schedules, statements, estimates, declarations of estimated tax, information statements and returns, including any amendments, attachments, appendices and exhibits thereto, made, prepared, filed or required to be filed with a Governmental Entity with respect to Taxes;

**“Securities Act”** means the *Securities Act* (Alberta) and the rules, regulations and published policies made thereunder, as now in effect and as they may be promulgated or amended from time to time;

**“Securities Authorities”** means the Exchange and the securities commissions and other securities regulatory authorities in each of the provinces and territories of Canada;

**“Securities Laws”** means the Securities Act, all other applicable Canadian securities laws, rules and regulations and published policies thereunder;

**“SEDAR”** means the System for Electronic Document Analysis Retrieval;

**“Shareholder Rights Plan”** means the Shareholder Rights Agreement between the Company and Equity Transfer & Trust Company dated as of September 30, 2010;

**“Spin-Off Assets”** has the meaning set out in the form of Transfer Agreement attached as Schedule D hereto;

**“subsidiary”** means, with respect to a specified person, any person of which at least 50% of the voting power ordinarily entitled to elect a majority of the board of directors thereof (whether or not shares of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by such specified person and shall include any person over which such specified person exercises direction or control or which is in a like relation to a subsidiary;

**“Superior Proposal”** means an unsolicited bona fide written Acquisition Proposal, (a) that did not result from a breach of this Agreement or any agreement between the person making such Acquisition Proposal and the Company; (b) that complies with all Securities Laws; (c) that is not subject to a financing condition and in respect of which any required financing to complete such Acquisition Proposal has been demonstrated to the satisfaction of the Board, acting in good faith (after receipt of advice from its financial advisors and outside legal counsel) has been obtained or is reasonably likely to be obtained; (d) that is not subject to a due diligence and/or access condition that would allow greater access to the books, records or personnel of the Company or its subsidiaries than was made available to the Purchaser prior to the date of this Agreement, which access and/or condition shall not continue beyond the fourth calendar day after the day on which access is first afforded to the person making the Acquisition Proposal (such period referred to herein as the **“Due Diligence Period”**) and provided the foregoing shall not restrict the ability of such third party to continue to review information provided to it by the Company during such Due Diligence Period; (e) that the Board and any relevant committee thereof has determined in good faith (after receipt of advice from the financial advisors and its outside legal counsel) is reasonably capable of completion without undue delay taking into account all legal, financial, regulatory (including all Regulatory Approvals identified in Schedule C, to the extent applicable) and other aspects of such Acquisition Proposal and the person making such Acquisition Proposal; and (f) in respect of which the Board and any relevant committee thereof determines in good faith (after receipt of advice from the financial advisors with respect to (ii) below and outside legal counsel with respect to (i) below) that (i) failure to recommend such Acquisition Proposal to Company Shareholders would be a breach of its fiduciary duties and (ii) that such Acquisition Proposal would, if consummated in accordance with its terms (but not assuming away any risk of non-completion), reasonably be expected to result in a transaction more favourable to the Company Shareholders from a financial point of view than the Arrangement and provides for consideration per Common Share that has a value that is greater than the aggregate consideration per Common Share provided under the terms of the Arrangement after taking into account the Newco Shares (and the Spin-Off Assets), including after any adjustment to the terms and conditions of the Arrangement proposed by the Purchaser pursuant to Section 7.2(7) of this Agreement;

**“Tax Act”** means the *Income Tax Act* (Canada) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

**“Taxes”** means (a) any and all domestic and foreign federal, state, provincial, municipal and local taxes, assessments and other governmental charges, duties, impositions and liabilities imposed by any Governmental Entity, including Canada Pension Plan and Provincial pension plan contributions, instalments, unemployment insurance contributions and employment insurance contributions, worker’s compensation and deductions at source, including taxes based on or measured by gross receipts, gross income, net income, profits, sales, capital, use, and occupation, and including goods and services, harmonized value added, ad valorem, transfer, franchise, withholding, customs, payroll, stamp, recapture, premium, windfall profits, employment, excise and property duties and taxes, together with all interest, penalties, fines and additions imposed with respect to such amounts and (b) any liability for the payment of any amount of the type described in the immediately preceding clause (a) as a result of being a “transferee” (within the meaning of Section 160 of the Tax Act or any other similar applicable Law) of another entity or a member of a related, non-arm’s length, affiliated or combined group;

**“Termination Fee”** has the meaning ascribed thereto in Section 7.3;

**“Transaction Expenses”** means all costs, fees and expenses incurred or suffered by the Company in connection with the Transaction, including but not limited to, financial advisor fees, management compensation and change of control payments, fees of outside legal counsel, auditors and technical experts, printing and mailing costs, and all other general fees, costs and expenses incurred by the Company in connection with the Transaction;

**“Transfer Agreement”** means the agreement in substantially the form attached as Schedule D to be entered into between the Company, Frontier Partnership and Newco dated as of the Effective Date, pursuant to which, among other things, the Spin-Off Assets will be transferred to Newco pursuant to the Arrangement;

**“Transferred Leases”** means the Birch Mountain leases and Jordan leases listed in Schedule F, and any miscellaneous interests of the Parent directly related to such leases;

**“Transferred Leases Permitted Liens”** means

- (a) the royalty burdens, liens, adverse claims, penalties, reductions in interest and other encumbrances identified in respect of the Transferred Leases as disclosed in writing by the Purchaser prior to the date hereof or set out in Schedule F;
- (b) easements, rights of way, servitudes and similar rights in land including rights of way and servitudes for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone, telegraph or cable television conduits, poles, wires and cables, in existence on the date of this Agreement;

- (c) the right reserved to or vested in any Governmental Entity by the terms of any lease, licence, franchise, grant or permit forming part of the Transferred Leases, or by any statutory provision, to terminate any lease, licence, franchise, grant or permit, or to require annual or other periodic payments as a condition of the continuance of them;
- (d) the right of general application reserved to or vested in any Governmental Entity to levy taxes on oil sands substances or the revenue from them, and governmental restrictions on production rates or on the operation of any property or otherwise affecting the value of any property;
- (e) the terms and conditions of the Transferred Leases;
- (f) rights reserved to or vested in any Governmental Entity to control or regulate the Transferred Leases (or the activities on the lands in respect of which the Transferred Leases have been granted) in any manner and all applicable Laws;
- (g) Liens for Taxes, assessments or governmental charges which are not due;
- (h) the right reserved or vested in any person to create or incur a Lien that is a mechanics' lien, builders' lien or materialmen's lien in respect of services rendered or goods supplied but only to the extent such Lien relates to goods or services for which payment is not due;
- (i) the reservations, limitations, provisos and conditions in any original grant from the Crown of any of the lands in respect of which the Transferred Leases have been granted, and statutory exceptions to title;
- (j) Liens incurred, created and granted in the ordinary course of business to a public utility, municipality or Governmental Entity in connection with operations conducted with respect to the Transferred Leases, but only to the extent those Liens relate to costs and expenses for which payment is not due; and
- (k) any Liens incurred, created and granted by, through or under the Company;

**"Transferred Working Capital"** means: (i) all of the current assets of the Company as of the Effective Time (other than the Retained Cash and any other such assets that are Retained Assets), after giving effect to the contribution to be made by the Purchaser to the Company pursuant to Section 3.1(f) of the Plan of Arrangement, less (ii) the aggregate amount of the accounts payable, deferred revenues and other current liabilities of the Company as at the Effective Time, including all Transaction Expenses, and excluding the liability of the Company under the Loan and the Frontier Costs, all calculated in accordance with GAAP on a basis consistent with Schedule B to the Transfer Agreement;

**"U.S. Securities Act"** means the United States Securities Act of 1933, as amended; and

**"U.S. Securities Laws"** means federal and state securities legislation of the United States and all rules, regulations and orders promulgated thereunder.

#### **Section 1.2 Interpretation Not Affected by Headings**

The division of this Agreement into Articles and Sections and the insertion of a table of contents and headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Schedules are to Articles and Sections of and Schedules to this Agreement.

#### **Section 1.3 Interpretation**

In this Agreement words importing the singular number include the plural and vice versa, and words importing any gender include all genders. The term "third party" means any person other than the Company or the Purchaser and their respective affiliates.

#### **Section 1.4 Date for Any Action**

If the date on which any action is required to be taken hereunder by a Party is not a business day, such action shall be required to be taken on the next succeeding day that is a business day.

#### **Section 1.5 Statutory References**

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder.

#### **Section 1.6 Currency**

Unless otherwise stated, all references in this Agreement to sums of money are expressed in lawful money of Canada and "\$" refers to Canadian dollars.

**Section 1.7 Accounting Principles**

All accounting terms are to be interpreted in accordance with GAAP and all determinations of an accounting nature in respect of the Company required to be made shall be made in a manner consistent with GAAP, applicable as at the date on which such calculation or action is made or taken or required to be made or taken.

**Section 1.8 Knowledge**

In this Agreement, references to “the knowledge of the Company” means the actual knowledge of each of the Designated Officers after due inquiry.

**Section 1.9 Schedules**

The following Schedules are annexed to this Agreement and are incorporated by reference into this Agreement and form a part hereof:

Schedule A	Plan of Arrangement
Schedule B	Resolution of the Company Shareholders
Schedule C	Regulatory Approvals
Schedule D	Form of Transfer Agreement
Schedule E	Form of Loan Agreement
Schedule F	Birch Mountain and Jordan Leases

**ARTICLE 2  
THE ARRANGEMENT**

**Section 2.1 Arrangement**

The Parties agree that the Arrangement will be implemented in accordance with and subject to the terms and conditions of this Agreement and the Plan of Arrangement.

**Section 2.2 Implementation Steps by the Company**

The Company covenants in favour of the Parent and the Purchaser that the Company shall:

- (a) subject to the terms of this Agreement, as soon as reasonably practicable, but in any event in sufficient time to hold the Company Meeting in accordance with Section 2.2(b), apply in a manner reasonably acceptable to the Purchaser under Section 192 of the CBCA for the Interim Order and will use all reasonable commercial efforts to make such application on or before March 1, 2012;
- (b) subject to the terms of this Agreement, convene and conduct the Company Meeting in accordance with the Interim Order, the Company’s Organizational Documents and applicable Law on or before April 10, 2012 for the purpose of considering the Arrangement Resolution;
- (c) not cancel the Company Meeting or fail to put the Arrangement before the Company Shareholders for their consideration without the Purchaser’s prior written consent;
- (d) use all commercially reasonable efforts (including at the request and expense of the Purchaser engaging a solicitation agent but not to include creating a soliciting dealer group) to solicit from the Company Shareholders proxies in favour of the approval of the Arrangement Resolution;
- (e) subject to obtaining such approvals as are required by the Interim Order, proceed with and diligently pursue the application to the Court for the Final Order as soon as reasonably practicable, but in any event not later than three business days after the Arrangement Resolution is passed at the Company Meeting as provided for in the Interim Order;
- (f) subject to obtaining the Final Order, file the Articles of Arrangement with the Director; and
- (g) obtain the Certificate of Arrangement from the Director giving effect to the Arrangement.

**Section 2.3 Interim Order**

The notice of motion for the application referred to in Section 2.2(a) shall request that the Interim Order provide, among other things:



- (a) for the class of persons to whom notice is to be provided in respect of the Arrangement and the Company Meeting and for the manner in which such notice is to be provided;
- (b) that, subject to the approval of the Court, the requisite approval for the Arrangement Resolution shall be (such approvals described in this Section 2.3(b), the “**Required Vote**”) (i) 66 2/3% of the votes cast on the Arrangement Resolution by the Company Shareholders and (ii) a majority of the votes cast on the Arrangement Resolution by Company Shareholders other than those required to be excluded in determining such approval pursuant to MI 61-101, in each case present in person or represented by proxy at the Company Meeting;
- (c) that the terms, restrictions and conditions of the Company’s Organizational Documents, including quorum requirements and all other matters, shall apply in respect of the Company Meeting;
- (d) for the grant of the Dissent Rights to those Company Shareholders who are registered Company Shareholders; and
- (e) for the notice requirements with respect to the presentation of the application to the Court for a Final Order.

**Section 2.4 Filing of Articles of Arrangement**

- (1) The Company shall amend the Plan of Arrangement from time to time at the reasonable request of the Purchaser, provided that no such amendment is inconsistent with the Interim Order or the Final Order or results in an adverse change in the quantum or form of consideration payable to Company Shareholders pursuant to the Arrangement or in adverse tax consequences to Company Shareholders as a result of the Arrangement.
- (2) On the second business day after the first date on which each of the conditions set forth in Article 6 have been satisfied or waived, subject to applicable Laws (excluding conditions that, by their terms, cannot be satisfied until the Effective Date, being the conditions set out in Section 6.2(a), Section 6.2(b), Section 6.2(i), Section 6.2(j), Section 6.2(m), Section 6.3(a) and Section 6.3(b)), but subject to the satisfaction or, where permitted, waiver of those conditions and each of the other conditions set forth in Article 6 as of the Effective Date, and unless another time or date is agreed to in writing by the Parties (the “**Closing Date**”), the Articles of Arrangement shall be filed with the Director who shall then issue the Certificate of Arrangement giving effect to the Arrangement. The Certificate of Arrangement shall be conclusive evidence that the Arrangement has become effective on, and be binding on and after, the Effective Time.

**Section 2.5 Payment of Consideration**

The Purchaser will, following receipt of the Final Order and immediately prior to the filing by the Company of the Articles of Arrangement with the Director, provide the Depository with sufficient funds in escrow (the terms and conditions of such escrow to be satisfactory to the Parties, acting reasonably) and a direction to pay to Company Shareholders the cash consideration for all of the Common Shares to be acquired pursuant to the Arrangement.

**Section 2.6 Closing**

At the Effective Time, among other things, each Common Share outstanding immediately prior to the Effective Time will be exchanged as provided in the Plan of Arrangement, and the Arrangement will, from and after the Effective Time, have all of the effects provided by applicable Laws, including the CBCA. The closing of the transactions contemplated hereby and by the Arrangement will take place at Blake, Cassels & Graydon LLP, 855 - 2nd Street S.W., Suite 3500, Bankers Hall East Tower, Calgary, Alberta, T2P 4J8, on the Closing Date.

**Section 2.7 Circular**

Subject to compliance with Section 2.8, as promptly as reasonably practicable after the execution and delivery of this Agreement, the Company shall prepare the Company Circular together with any other documents required by the Securities Laws or other applicable Laws in connection with the Company Meeting required to be filed or prepared by the Company, and, subject to Section 2.8(2) as promptly as is reasonably practicable after the execution and delivery of this Agreement and, in any event, by no later than March 7, 2012, the Company shall, unless otherwise agreed by the Parties, cause the Company Circular and other documentation required in connection with the Company Meeting to be sent to the Company Shareholders and filed as required by the Interim Order and applicable Laws. The Company Circular shall include the recommendation of the Board that the Company Shareholders vote in favour of the Arrangement Resolution, unless such recommendation has been withdrawn, modified or amended in accordance with the terms of this Agreement, and include a copy of the Fairness Opinions.

**Section 2.8 Preparation of Filings**

- (1) Except as otherwise provided in this Agreement in relation to the Competition Act Approval, the Parties shall co-operate in the preparation of any application for the Regulatory Approvals and any other orders, registrations, consents, filings, rulings, exemptions, no-action letters and approvals and the preparation of any documents reasonably deemed by any of the Parties to be necessary to discharge its respective obligations or otherwise advisable under applicable Laws in connection with the Arrangement and this Agreement as promptly as practicable hereafter.

- (2) The Parties shall co-operate in the preparation and filing of the Company Circular, and in the mailing of the Company Circular. The Company shall promptly provide the Purchaser and its representatives with a reasonable opportunity to review and comment on the Company Circular, including by providing on a timely basis a description of any information required to be supplied by the Purchaser for inclusion in the Company Circular, prior to its mailing to the Company Shareholders and filing in accordance with the Interim Order and applicable Laws and shall give reasonable consideration to any comments made by the Purchaser and its counsel, and agrees that all information relating solely to the Purchaser or the Parent included in the Company Circular must be in a form and content satisfactory to the Purchaser, acting reasonably.
- (3) The Purchaser shall provide the Company with any information relating to the Purchaser or the Parent for inclusion in the Company Circular that may be required under applicable Law and/or is reasonably requested by the Company.
- (4) The Company shall ensure that the Company Circular (other than disclosure relating to the Purchaser or the Parent and provided by the Purchaser) complies with the Interim Order and all applicable Laws and, without limiting the generality of the foregoing, that the Company Circular does not, at the time of mailing, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances under which they are made (other than with respect to any information relating to the Purchaser or the Parent and provided by the Purchaser).
- (5) The Purchaser shall ensure that the information provided by it for inclusion in the Company Circular does not, at the time of the mailing of the Company Circular, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or that is necessary to make the statements contained therein not misleading in light of the circumstances under which they are made.
- (6) Each of the Parties shall promptly notify the other if at any time before the Effective Time it becomes aware that the Company Circular, any registration statement or any other circular made in connection with the Arrangement contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or that is necessary to make the statements contained therein not misleading in light of the circumstances under which they are made, or of information that otherwise requires an amendment or supplement to the Company Circular, such registration statement or other circular, and the Parties shall co-operate in the preparation of such amendment or supplement as required, including the distribution and filing of such amendment or supplement by the Company.
- (7) The Company will promptly inform the Purchaser of any requests or comments made by Securities Authorities in connection with the Company Circular. Each of the Parties will cooperate with the other and shall diligently do all such acts and things as may be necessary in the manner contemplated in the context of the preparation of the Company Circular and use its respective commercially reasonable efforts to resolve all requests or comments made by Securities Authorities with respect to the Company Circular and any other required filings under applicable Securities Laws as promptly as practicable after receipt thereof.
- (8) The Company will advise the Purchaser as the Purchaser may reasonably request, and on a daily basis on each of the last ten business days prior to the proxy cut-off date for the Company Meeting, as to the aggregate tally of the proxies received by the Company in respect of the Arrangement Resolution and any other matters to be considered at the Company Meeting.
- (9) The Company will immediately inform the Purchaser as soon as it is aware of any communication (written or oral) received from Company Shareholders in opposition to the Arrangement and any notice of Dissent Rights exercised or purported to have been exercised by any Company Shareholder received by the Company or its representatives in relation to the Company Meeting and the Arrangement Resolution and any withdrawal of Dissent Rights received by the Company and, subject to applicable Laws, any written communications sent by or on behalf of the Company to any Company Shareholder exercising or purporting to exercise Dissent Rights in relation to the Arrangement Resolution. The Company will not make any payment or settlement offer, or agree to any payment or settlement prior to the Effective Time with respect to Dissent Rights without the prior written consent of the Purchaser.
- (10) The Company will give notice to the Purchaser and the Parent of the Company Meeting and allow the Purchaser's and the Parent's representatives and legal counsel to attend the Company Meeting. The Company will also at the request of the Purchaser from time to time, provide the Purchaser with a list of the Company Shareholders (together with their addresses and respective holdings of Common Shares) and a list of the names, addresses and holdings of all persons having rights issued by the Company to acquire Common Shares (including holders of Company Options).

#### **Section 2.9 Court Proceedings**

The Company will provide the Purchaser and its legal counsel with reasonable opportunity to review and comment upon drafts of all material to be filed with the Court in connection with the Arrangement, including by providing on a timely basis a description of any information required to be supplied by the Purchaser for inclusion in such material, prior to the service and filing of that material, and will accept the reasonable comments of the Purchaser and its legal counsel with respect to any such information required to be supplied by the Purchaser and included in such material and any other matters contained therein. The Company will

ensure that all material filed with the Court in connection with the Arrangement is consistent in all material respects with the terms of this Agreement and the Plan of Arrangement. In addition, the Company will not object to legal counsel to the Purchaser making such submissions on the application for the Interim Order and the application for the Final Order as such counsel considers appropriate, provided that the Company is advised of the nature of any submissions prior to the hearing and such submissions are consistent with this Agreement, the agreements that it contemplates and the Plan of Arrangement. The Company will also provide legal counsel to the Purchaser on a timely basis with copies of any notice and evidence served on the Company or its legal counsel in respect of the application for the Final Order or any appeal therefrom. Subject to applicable Laws, the Company will not file any material with, or make any submissions to, the Court in connection with the Arrangement or serve any such material, and will not agree to modify or amend materials so filed or served, except as contemplated hereby or with the Purchaser's prior written consent, such consent not to be unreasonably withheld or delayed; provided the Purchaser is not required to agree or consent to any direct or indirect increase in or variation in the form of the consideration payable under the Arrangement or other modification or amendment to such filed or served materials that expands or increases the Purchaser's or the Parent's obligations, or diminishes or limits the Purchaser's or the Parent's rights, set forth in any such filed or served materials or under this Agreement.

#### **Section 2.10 Public Communications**

The Parties agree to co-operate in the preparation of any presentations, marketing materials and press releases, if any, to Company Shareholders regarding the Arrangement, Newco or the Spin-Off Assets and shall provide the other Party a reasonable opportunity to review and comment on any such presentations, marketing materials and press releases, and no Party shall deliver any presentation, distribute marketing materials or, subject to applicable Law, issue any press release or otherwise make public statements with respect to the Arrangement, this Agreement, Newco or the Spin-Off Assets, without the prior consent of the other Party, such consent not to be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, the Company may make presentations to, have communication with and provide marketing materials to Company Shareholders and prospective shareholders of the Company respecting Newco, provided such actions are not intended to solicit expressions of interest to acquire Newco or the Spin-Off Assets and are not made or distributed to entities operating in the oil and gas industry. Notwithstanding the foregoing, no public communications by the Company regarding the Arrangement, Newco or the Spin-Off Assets shall be made in contravention or violation of Section 7.2 of this Agreement.

#### **Section 2.11 Public Disclosure and Filings**

The Company shall not make any filing with any Governmental Entity or with the Exchange with respect to the Arrangement without prior consultation with the Purchaser, and the Purchaser shall not make any filing with any Governmental Entity or with the Exchange with respect to the Arrangement without prior consultation with the Company; provided, however, that the foregoing shall be subject to each Party's overriding obligation to make any disclosure or filing required under applicable Laws, and the Party making any such disclosure shall use all commercially reasonable efforts to give timely prior oral or written notice to the other Party and reasonable opportunity for the other Party to review or comment on the disclosure or filing (other than with respect to confidential information contained in such disclosure or filing), and if such prior notice is not possible, to give such notice immediately following the making of any such disclosure or filing.

#### **Section 2.12 Withholding Taxes**

The Purchaser shall be entitled to deduct and withhold from any consideration otherwise payable to any Company Shareholder under the Plan of Arrangement such amounts as the Purchaser is required or reasonably believes to be required to deduct and withhold from such consideration in accordance with applicable Laws. Any such amounts will be deducted, withheld and remitted from the consideration payable pursuant to the Plan of Arrangement and shall be treated for all purposes under this Agreement as having been paid to the Company Shareholder in respect of which such deduction, withholding and remittance was made.

#### **Section 2.13 U.S. Securities Laws**

The issuance of Newco Shares under the Arrangement qualifies in the United States for the exemption from registration provided by Section 3(a)(10) of the U.S. Securities Act. Each Party agrees to act in good faith, consistent with the intent of the Parties and the intended treatment of the Arrangement as set forth in this Section 2.13.

### **ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE COMPANY**

#### **Section 3.1 Representations and Warranties**

- (1) Contemporaneously with the execution and delivery of this Agreement, the Company is delivering to the Parent and the Purchaser certain written disclosures required to be delivered pursuant to this Agreement, which are deemed to constitute an integral part of this Agreement and to modify the representations and warranties of the Company contained in this Agreement; provided that no disclosures set forth in such written disclosure will modify a particular representation and warranty of the Company contained in this Agreement except for such disclosures, if any, as are set forth in the written

disclosure under a Section heading that corresponds to the Section of this Agreement containing the particular representation and warranty or an appropriate cross-reference.

- (2) Subject to the following sentence and except as otherwise stated, the representations and warranties made by the Company in this Section 3.1 do not apply to the Spin-Off Assets. The representations or warranties made by the Company in this Section 3.1 do apply with respect to the Spin-Off Assets to the extent a breach of such representations and warranties in this Section 3.1 would have an impact on the Retained Assets.
- (3) The Company represents and warrants to and in favour of the Parent and the Purchaser as follows and acknowledges that the Parent and the Purchaser are relying upon such representations and warranties in connection with the entering into of this Agreement:
  - (a) **Board Approval.** As of the date hereof, the Board, after consultation with its financial and legal advisors, has determined unanimously that the Arrangement is fair to the Company Shareholders and is in the best interests of the Company and has resolved unanimously to recommend to the Company Shareholders that they vote their Common Shares in favour of the Arrangement. The Board has unanimously approved the Arrangement and the execution and performance of this Agreement. The Board has received the Fairness Opinions from each of RBC Dominion Securities Inc. and TD Securities Inc.
  - (b) **Organization and Qualification of the Company.** The Company is duly incorporated and organized and validly existing under the CBCA and has the requisite corporate power and authority to own its assets as now owned and to carry on its business as it is now being conducted. The Company is duly registered or otherwise authorized to do business and is in good standing in each jurisdiction in which the character of its properties, owned, leased, licensed or otherwise held, or the nature of its activities makes such registration or authorization necessary.
  - (c) **Authority Relative to this Agreement.** The Company has the requisite corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement by the Company and, subject to the Required Vote, the consummation by the Company of the transactions contemplated by this Agreement have been duly authorized by the Board, and no other corporate proceedings on the part of the Company are necessary to authorize the execution and delivery by it of this Agreement or any agreement ancillary hereto and the consummation by it of the transactions contemplated hereby and thereby, subject, in the case of consummation of the Arrangement, to the receipt of the Required Vote, approval by the Court and delivery of a certified copy of the Final Order to the Director. This Agreement has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.
  - (d) **No Subsidiaries or Interests.** Other than Newco, the Company has no subsidiaries or any interest in any partnership, corporation or other business organization. Newco is a newly incorporated entity, has been duly formed, and validly exists. Newco does not have any assets (other than initial nominal capital) or liabilities and carries on no active business.
  - (e) **Capitalization of Company.** As of the date hereof, the authorized capital of the Company consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares. As of the date hereof, there are issued and outstanding 50,006,031 Common Shares, and no Preferred Shares or other shares are issued and outstanding. Other than Company Options to acquire up to 3,474,000 Common Shares, and rights issued under the Shareholder Rights Plan, there are no options, warrants or other rights, plans, agreements or commitments of any nature whatsoever requiring the issuance, sale or transfer by the Company of any securities of the Company (including Common Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of the Company (including Common Shares). All outstanding Common Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights and all Common Shares issuable upon the exercise of Company Options in accordance with the terms of such options will be duly authorized and validly issued as fully paid and non-assessable and will not be subject to any pre-emptive rights. Other than the Common Shares, there are no securities of the Company outstanding which have the right to vote generally (or except for the Company Options that are exercisable or convertible into or exchangeable for securities having the right to vote generally) with the Company Shareholders on any matter.
  - (f) **Outstanding Indebtedness.** As of the date of this Agreement, the Company has not drawn any amounts on the Credit Facilities and does not otherwise have any outstanding Indebtedness.
  - (g) **No Violations.** Other than as disclosed in writing to the Purchaser prior to the date hereof, none of the execution and delivery of this Agreement by the Company, the consummation by the Company of the Arrangement (including the transfer of the Spin-Off Assets to Newco), or any of the other transactions contemplated by this Agreement or compliance by the Company with any of the provisions hereof will: (i) violate, conflict with, or result in a breach of

any provision of, require any consent, approval or notice under, or constitute a default (or an event which with or without notice or lapse of time or both, would constitute a default) under, or result in granting to a third party a right to reduce fees or other payments to the Company under, or result in granting to a third party or, the right of a third party to exercise, a right of first refusal, first opportunity, or other right or option to acquire securities, properties or assets of the Company under, or grant to a third party a right to force the Company to purchase one or more assets under, or result in a right of termination or acceleration under, or result in the creation of any Lien upon any of the properties or assets of the Company (including the Retained Leases) or cause any Indebtedness of the Company to come due before its stated maturity or cause any credit commitment to cease to be available or cause any payment or other obligation to be imposed on the Company under, any of the terms, conditions or provisions of (A) its constituting documents, including, articles, bylaws or other organizational documents, or (B) any note, bond, mortgage, indenture, loan agreement, deed of trust, Lien, or other Contract to which the Company is a party or to which it or its properties or assets, may be subject or by which the Company is bound; or (ii) subject to obtaining the Regulatory Approvals and the Required Vote and except for complying with applicable corporate, securities, competition and antitrust Laws, (A) violate any Law applicable to the Company or its properties or assets; or (B) cause the suspension or revocation of any Retained Lease or Permit currently in effect; or (iii) result in any restriction on the Company from engaging in the business it currently carries on, or from competing with any person or in any geographical area, and does not and will not trigger or cause to arise any rights of any person under any contract or arrangement to restrict the Company from engaging in the business it currently carries on.

- (h) **Shareholder Rights Plan.** The Shareholder Rights Plan will not apply to this Agreement or the Arrangement or the Lock-up Agreements and the Company has taken all corporate action required for it to perform its obligations under Section 5.6(e) hereof. Prior to the Effective Time, the Company will not implement any other shareholder rights plan or any other form of plan, agreement, contract or instrument that will trigger any rights to acquire Common Shares or other securities of the Company or rights, entitlements or privileges in favour of any person upon the entering into of this Agreement or the Lock-up Agreements or in connection with the Arrangement.
- (i) **Compliance with Laws.** The Company has complied, in all material respects, with and is not, in any material respect, in violation of any applicable Laws.
- (j) **Reporting Status and Securities Laws Matters.** The Company is a “reporting issuer” and not on the list of reporting issuers in default under Securities Laws, and is in compliance with all Securities Laws. No delisting of, suspension of trading in or cease trading order with respect to any securities of the Company and, to the knowledge of the Company, no inquiry or investigation (formal or informal) of any Securities Authority, is in effect or ongoing or, to the knowledge of the Company, expected to be implemented or undertaken. The Company has provided to the Purchaser prior written disclosure of all material correspondence between the Securities Authorities, on the one hand, and the Company or any of its subsidiaries, on the other hand, since October 1, 2010 through the date of this Agreement and shall provide to the Purchaser any further such correspondences through to the Effective Date.
- (k) **Reports.** The documents comprising the Company’s Public Disclosure Record (i) did not at the time filed with Securities Authorities or, as applicable, the time of becoming effective, contain any untrue statement of a material fact or omit any data or information required to be stated therein or necessary to make the statements therein, not misleading in light of the circumstances under which they were made, and (ii) include all documents required to be filed in accordance with Securities Laws with the Securities Authorities and the Exchange and complied with Securities Laws. The Company has timely filed with the Securities Authorities all forms, reports, schedules, statements and other documents required to be filed by the Company with the Securities Authorities, and all such forms, reports, schedules, statements and other documents complied in all material respects with all applicable Laws. The Company has not filed a confidential material change report with Securities Authorities that is still subject to confidentiality.
- (l) **Subsequent Reports.** The Company will during the term of this Agreement deliver to the Purchaser as soon as they become available true and complete copies of any report or statement filed by it with Securities Authorities subsequent to the date hereof. As of their respective dates, such reports and statements: (i) will not contain any untrue statement of a fact or omit to state a fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading; and (ii) will comply in all material respects with all applicable requirements of law including Securities Laws. The financial statements of the Company issued by the Company or to be included in such reports and statements will be prepared in accordance with GAAP (except: (i) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of the Company’s auditors; or (ii) in the case of unaudited interim financial statements, to the extent they may not include footnotes or may be condensed or summary statements), and will present fairly the financial position, results of operations and changes in financial position of the Company as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments).

- (m) **Information.** All material data and information with respect to the Company provided by the Company to the Purchaser and its agents and representatives is complete and true and correct in all material respects and does not omit any data or information necessary to make the data and information provided, taken as a whole, not misleading in any material respect. Other than all technical and other information with respect to the Retained Projects that the Company has received from the Parent or its affiliates, the Company has provided to the Purchaser all technical and other information in its possession or control with respect to the Retained Projects that might reasonably be expected to be material to the Purchaser.
- (n) **Company Financial Statements.** The Company's audited consolidated financial statements as at and for the fiscal year ended December 31, 2010 (including the notes thereto and related management's discussion and analysis ("MD&A")) and the Company's unaudited financial statements as at and for the three and nine months ended September 30, 2011 (including the notes thereto and related MD&A) (collectively, the "Company Financial Statements") and all consolidated financial statements of the Company and its subsidiaries included or incorporated by reference in information circulars, forms, reports, statements, prospectuses and other documents filed with Securities Authorities since October 1, 2010 were prepared in accordance with Canadian generally accepted accounting principles consistently applied (except as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of the Company's independent auditors) and fairly present in all material respects the financial position, results of operations and cash flows of the Company as of the dates thereof and for the periods indicated therein and reflect reserves required by Canadian generally accepted accounting principles in respect of all material contingent liabilities, if any, of the Company. There has been no material change in the Company's accounting policies, except as described in the notes to the Company Financial Statements, since September 30, 2011. Since October 1, 2010 the Company has not, nor to the Company's knowledge has, any director, officer, employee, auditor, accountant or representative of the Company, received or otherwise had or obtained knowledge of any complaint, allegation, assertion, or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of the Company or its internal accounting controls, including any complaint, allegation, assertion or claim that the Company has engaged in questionable accounting or auditing practices, which has not been resolved to the satisfaction of the audit committee of the Board.
- (o) **No Undisclosed Material Liabilities.** Except: (i) as disclosed or reflected in the Company Financial Statements; and (ii) for liabilities and obligations: (A) incurred in the ordinary course of business and consistent with past practice since September 30, 2011; (B) pursuant to the terms of this Agreement; or (C) publicly disclosed on SEDAR prior to the date hereof, the Company has not incurred any liabilities of any nature, whether accrued, contingent or otherwise (and whether relating to the Retained Assets or the Spin-Off Assets), whether or not such liabilities would be required by Canadian generally accepted accounting principles consistently applied to be reflected on the balance sheet of the Company as of the date hereof.
- (p) **Cash Balances.** As at September 30, 2011, the Company held cash and cash equivalents totalling not less than \$27,004,000. As at the date hereof, the Company has cash and cash equivalents totalling not less than \$18,000,000.
- (q) **Books and Records.** The Company's corporate records and minute books have been maintained in compliance with applicable Laws and are complete and accurate in all material respects.
- (r) **Internal Control Over Financial Reporting.** To the knowledge of the Company, except as disclosed in the Company's Public Disclosure Record prior to the date of this Agreement: (A) there are no significant deficiencies in the design or operation of, or material weaknesses in, the internal controls over financial reporting of the Company that are reasonably likely to adversely affect the ability of the Company to record, process, summarize and report financial information, and (B) there is no fraud, whether or not material, that involves management or other employees who have a significant role in the internal control over financial reporting of the Company. Since October 1, 2010, the Company has received no (x) material complaints from any source regarding accounting, internal accounting controls or auditing matters or (y) expressions of concern from employees of the Company regarding questionable accounting or auditing matters.
- (s) **Up-the-Ladder Reporting.** No attorney representing the Company, whether or not employed by the Company, has reported evidence of a violation of any Securities Laws, breach of fiduciary duty or similar violation by the Company or its officers, directors, employees, agents or independent contractors to the Company's chief legal officer, audit committee (or other committee designated for the purpose) of the board of directors or board of directors.
- (t) **Absence of Certain Changes.** Since October 1, 2010: (i) the Company has conducted its business in the ordinary course of business consistent with past practice, except for the transactions contemplated by this Agreement, (ii) there has been no Material Adverse Effect or any fact, circumstance, change, effect, matter, action, condition, event or occurrence (including any decision made by the Board, or management if management believes that approval by the Board is probable), of the Company that, individually or in the aggregate, would be reasonably expected to have a

Material Adverse Effect, and (iii) the Company has not taken any action which, if taken after the date of this Agreement, would be prohibited by Section 5.1.

- (u) **Litigation.** Other than as disclosed in writing to the Purchaser prior to the date hereof, there are no claims, actions, enquiries, applications, suits, demands, arbitrations, charges, indictments, hearings or other civil, criminal, administrative or investigative proceedings, or other investigations or examinations (collectively, "Legal Actions") pending or, to the knowledge of the Company, threatened, against the Company and, to the knowledge of the Company, no facts or circumstances exist that could reasonably be expected to form the basis of a Legal Action against (i) the Company or its property or assets at law or in equity before or by any Governmental Entity or (ii) any director or officer of the Company or any Company Employee, which Legal Actions would, individually or in the aggregate, if adversely determined, reasonably be expected to have a Material Adverse Effect. The Company has disclosed in writing to the Purchaser prior to the date hereof all Legal Actions of which it has knowledge and the nature and quantum of all such Legal Actions. Other than has been disclosed in writing by the Company to the Purchaser prior to the date hereof, to the knowledge of the Company, no facts or circumstances exist that could reasonably be expected to adversely affect the resolution of the Legal Actions which have been disclosed in writing to the Purchaser. Neither the Company nor any of its assets or properties is subject to any outstanding judgment, order, writ, injunction or decree that has or is reasonably likely to have a Material Adverse Effect, or may prevent or materially delay the consummation of this Agreement.
- (v) **Taxes.** (i) The Company has, (A) duly and timely filed, or caused to be filed, all Returns required to be filed by it prior to the date hereof, other than those which have been administratively waived, and all such Returns are true, complete and correct in all material respects and have not been amended; (B) paid on a timely basis all Taxes (whether or not shown on any Return) and all assessments and reassessments of Taxes due on or before the date hereof, other than Taxes which are being or have been contested in good faith and for which adequate reserves have been provided in the Company Financial Statements and as disclosed in writing to the Purchaser; (C) duly and timely withheld, or caused to be withheld, all Taxes required or permitted by Law to be withheld by it (including Taxes and other amounts required or permitted to be withheld by it in respect of any amount paid or credited or deemed to be paid or credited by it to or for the account of any person, including any present or former employees, officers or directors and any persons who are non-residents of Canada for the purpose of the Tax Act) and duly and timely remitted, or caused to be remitted, to the appropriate Tax authority such Taxes required by Law to be remitted by it; and (D) duly and timely collected, or caused to be collected, any sales or transfer taxes, including goods and services, harmonized sales and provincial or territorial sales taxes, required by Law to be collected by it and duly and timely remitted to the appropriate Tax authority any such amounts required by Law to be remitted by it; (ii) the unpaid Taxes of the Company did not, as of the date of the Company Financial Statements, exceed the reserves and provisions for Taxes accrued but not yet due as reflected in the Company Financial Statements, and Taxes payable by the Company for all periods ending on or before the Closing Date will not exceed such reserves and provisions for Taxes as adjusted through the Closing Date in accordance with the past custom and practice of the Company and its subsidiaries; (iii) (A) there are no audits or investigations in progress, pending or threatened by any Governmental Entity with respect to Taxes against the Company or any of the assets of the Company; and (B) no deficiencies, litigation, proposed adjustments or matters in controversy with respect to Taxes exist or have been asserted or have been raised by any Governmental Entity which remain unresolved at the date hereof, and no action or proceeding for assessment or collection of Taxes has been taken, asserted, or to the knowledge of the Company, threatened, against the Company or its assets, except, in each case, as are being contested in good faith and for which adequate reserves have been provided in the Company Financial Statements and as disclosed in writing to the Purchaser; (iv) there are no currently effective elections, agreements or waivers extending the statutory period or providing for an extension of time with respect to the assessment or reassessment of any Taxes of, or the filing of any Return or any payment of any Taxes by, the Company; (v) the Company is a "taxable Canadian corporation" as defined in the Tax Act; (vi) there are no Liens for Taxes upon any of the assets of the Company; (vii) the Company is substantially in compliance with the Laws of Canada and any province, municipality or other subdivision thereof, including any documentation and recordkeeping requirements thereunder, applicable to the allocation of income and deductions and transactions among related taxpayers; and (viii) other than as disclosed in writing to the Purchaser prior to the date hereof, the Company is not a party to any indemnification, allocation or sharing agreement with respect to Taxes that could give rise to a payment or indemnification obligation; (ix) no amount in respect of any outlay or expense that is deductible for the purposes of computing the income of the Company for Tax purposes has been owing by the Company, for longer than two (2) years to a person not dealing at arm's length (for the purposes of the Tax Act) with the Company at the time the outlay or expense was incurred; (x) there are no circumstances which exist and would result in, or which have existed and resulted in, sections 80 to 80.04 of the Tax Act applying to the Company; (xi) the Company has not either directly or indirectly transferred property to or supplied services to or acquired property or services from a person, corporation, partnership, trust or other taxpayer with whom it was not dealing at arm's length (for the purposes of the Tax Act) for consideration other than consideration equal to the fair market value of the property or

services at the time of the transfer, supply or acquisition of the property or services; and (xii) the “paid-up capital” (for purposes of the Tax Act) in respect of the Common Shares is not less than \$250,000,000.

(w) **Contracts.**

- (i) The Company has disclosed in writing to the Purchaser and provided a list of the following Contracts (whether entered into in respect of the Retained Assets or the Spin-Off Assets or by its predecessors), correct, current and complete copies of which have been made available to the Purchaser:
- (A) any Contract entered into by the Company (or by its predecessors if the Company is bound by or has rights or obligations under such Contract) outside the ordinary course of business;
  - (B) any lease of real property by the Company, as tenant, with third parties providing for annual rentals of \$10,000 or more;
  - (C) any Contract under which the Company is obliged to make payments on an annual basis in excess of \$100,000 in the aggregate;
  - (D) any partnership, limited liability company agreement, shareholder agreement, joint venture, alliance agreement or other similar agreement or arrangement relating to the formation, creation, operation, management, business or control of any person, partnership or joint venture that is not a wholly-owned subsidiary of the Company (other than any such agreement or arrangement relating to the operation or business of a property in the ordinary course and which is not material with respect to such property) where the Company’s obligations with respect to any such partnership or joint venture exceed \$100,000 individually;
  - (E) any Contract (other than with or among wholly-owned subsidiaries) under which Indebtedness for borrowed money in excess of \$500,000 is outstanding or may be incurred or pursuant to which any property or asset of the Company is mortgaged, pledged or otherwise subject to a Lien, or any Contract restricting the incurrence of Indebtedness by the Company or the incurrence of Liens on securities of wholly-owned subsidiaries or restricting the payment of dividends;
  - (F) Contracts entered by the Company (or by its predecessors if the Company is bound by or has rights or obligations under such Contract) relating to any outstanding commitment for capital expenditures in excess of \$500,000 in the aggregate;
  - (G) Contracts containing any rights on the part of any party, including joint venture partners or entities, to acquire oil and gas, oil sands or other property rights from the Company;
  - (H) Contracts containing any rights on the part of the Company to acquire oil and gas, oil sands or other property rights from any person;
  - (I) any Contract that purports to limit the right of the Company to, in any material respect (i) engage in any line of business, or (ii) compete with any person or operate in any location;
  - (J) any Contract entered into in since July 6, 2010 or in respect of which the applicable transaction has not yet been consummated for the acquisition or disposition, directly or indirectly (by amalgamation, merger or otherwise), of assets or capital stock or other equity interests of another person for aggregate consideration in excess of \$500,000, in each case other than in the ordinary course of business and in a manner consistent with past practice;
  - (K) any standstill or similar Contract currently restricting the ability of the Company to offer to purchase or purchase the assets or equity securities of another person; and
  - (L) any Contract (other than Contracts referenced in clauses (A) through (K) of this Section 3.1(3)(w)(i)) that has been, or is required to be, filed by the Company with Securities Authorities as a material contract and forming part of the Company’s Public Disclosure Record,
- except in each case for any such Contract whereby both the Company and the Parent or one of its affiliates are a party (such Contracts described in clauses (A) through (L), together with all exhibits and schedules thereto being, the “**Material Contracts**”).
- (ii) Except as has otherwise been disclosed in writing to the Purchaser prior to the date hereof, (A) all Material Contracts are valid and binding obligations of the Company and, to the knowledge of the Company, the valid and binding obligation of each other party thereto except for such Material Contracts which if not so valid and binding would not, individually or in the aggregate, have a Material Adverse Effect, (B) the Company is not, nor, to the knowledge of the Company, is any of the other parties thereto, in breach or



violation of, or default (in each case, with or without notice or lapse of time or both) under, any Material Contract and the Company has not received or given any notice of a material default under any such Material Contract which remains uncured which violation or breach would, individually or in the aggregate, have a Material Adverse Effect, and (C) to the knowledge of the Company, there exists no state of facts which after notice or lapse of time or both would constitute a default or breach of a Material Contract or entitle any party to terminate, accelerate, modify or call a default under, or trigger any pre-emptive rights or rights of first refusal under, any Material Contract which would individually or in the aggregate, have a Material Adverse Effect.

(x) **Interest in Retained Leases.**

- (i) Except as has been otherwise disclosed in writing to the Purchaser prior to the date hereof:
- (A) the Company is a 50% beneficial owner and 50% legal owner of all right, title and interest in and to each of the Retained Leases, and holds good, valid and marketable beneficial title to its working interests in each of the Retained Leases and related permits free and clear of any and all Liens, other than Permitted Liens;
  - (B) to the knowledge of the Company, all of the Retained Leases are valid and subsisting;
  - (C) to the knowledge of the Company, the Retained Leases are in good standing under applicable Law and all work required to be performed and filed in respect thereof has been performed and filed, all Taxes, rentals, fees, expenditures, reclamation bonds and other payments in respect thereof have been paid or incurred and all filings in respect thereof have been made;
  - (D) other than as disclosed in writing to the Purchaser prior to the date hereof, to the knowledge of the Company, there is no adverse claim, or challenge, in progress, pending or threatened against, or to, the title to or ownership of any of the Retained Leases, including any First Nations and/or tribal title claims;
  - (E) other than the Parent with respect to a 50% working interest in each of the Retained Leases or with respect to any interests created by, through or under the Parent or any of its affiliates, no person other than the Company has any interest in any such leases or the production or profits therefrom or any royalty in respect thereof or any right to acquire any such interest;
  - (F) other than the Parent, as applicable, no person has any back-in rights, earn-in rights, rights of first refusal or similar provisions or rights or options that would affect the Company's interest in any of the Retained Leases;
  - (G) the Company has (i) taken all necessary actions to preserve all back-in rights, earn-in rights, rights of first refusal or similar provisions or rights or options in its favour and to ensure that such rights, provisions and options remain in full force and effect and (ii) not taken any action or failed to take any action, where the taking of such action or failure to act, as the case may be, could reasonably be expected to adversely affect any such rights, provisions or options;
  - (H) to the knowledge of the Company, there are no material restrictions on the ability of the Company to use, transfer or exploit any of the Retained Leases, except pursuant to the applicable Law or the terms of such leases, as applicable;
  - (I) to the knowledge of the Company, the Company is not in breach or violation or default (in each case, with or without notice or lapse of time or both) in any material respect under any of the Retained Leases and the Company has not received or given any notice of default under any of the Retained Leases;
  - (J) the Company has not received any notice, whether written or oral, from any Governmental Entity of any revocation or intention to revoke any interest of the Company in any of the Retained Leases;
  - (K) to the knowledge of the Company, all leases, concessions, licenses, rights or permits that are required to conduct the exploration and development programs at the Retained Projects have been obtained;
  - (L) to the knowledge of the Company, the Company, together with the Parent, has all surface rights, including fee simple estates, leases, easements, rights of way and permits or licences from landowners or Governmental Entities permitting the use of land by the Company or the Parent, and hydrocarbon interests that are required to exploit the development potential of each of the Retained Leases as contemplated in the Company's Public Disclosure Record filed (and available

on SEDAR) on or before the date hereof and no third party or group holds any such rights that would be required by the Company to develop any of such leases.

- (y) **Personal Property.** The Company has good, valid and marketable title to, or a valid and enforceable leasehold interest in, all personal property owned or leased by it in connection with each of the Retained Projects, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Except as disclosed in writing to the Purchaser prior to the date hereof, the Company's ownership of or leasehold interest in any such personal property is not subject to any Liens, except for Liens that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.
- (z) **Operational Matters.** Except as otherwise disclosed in writing to the Purchaser prior to the date hereof, except as would not, individually or in the aggregate, be reasonably expected to result in a Material Adverse Effect, to the knowledge of the Company, all rentals, royalties, overriding royalty interests, production payments, net profits, interest burdens, payments and obligations due and payable, or performable, as the case may be, on or prior to the date hereof under, with respect to, or on account of, any direct or indirect assets of the Company (including the Retained Assets and the Spin-Off Assets) have been: (i) duly paid; (ii) duly performed; or (iii) provided for prior to the date hereof.
- (aa) **No Expropriation.** No property or asset of the Company has been taken or expropriated by any Governmental Entity nor has any notice or proceeding in respect thereof been given or commenced or threatened nor, to the best of the knowledge of the Company, is there any intent or proposal to give any such notice or to commence any such proceeding.
- (bb) **Restrictions on Business Activities.** There is no agreement, judgement, injunction, order or decree binding upon the Company that has or could reasonably be expected to have the effect of prohibiting, restricting or materially impairing any business practice of the Company, any acquisition of property by the Company or the conduct of business by the Company as currently conducted (including following the transaction contemplated by this Agreement).
- (cc) **Pension and Employee Benefits**
  - (i) There are no pension plans (including any multi-employer pension plans) that are maintained by or binding upon the Company or in respect of which the Company has any actual or potential liability or to which the Company contributes or is or was at any time required to contribute. The Company does not have any liabilities or contingent liabilities in respect of any pension, benefit or compensation plan that has been discontinued.
  - (ii) The Company has disclosed in writing and provided to the Purchaser a list of all health, welfare, supplemental unemployment benefit, bonus, profit sharing, option, insurance, incentive, incentive compensation, deferred compensation, share purchase, share compensation, disability, pension, supplemental pension or retirement plans and other material employee or director compensation or benefit plans, policies, trusts, funds, agreements or arrangements for the benefit of directors or former directors of the Company or any of its subsidiaries, the Company Employees (including individuals working on contract with the Company or other individuals providing services to the Company of a kind normally provided by employees) or former Company Employees, which are maintained by or binding upon the Company or in respect of which the Company has any actual or potential liability or to which the Company contributes or is or was at any time required to contribute (including the Company Option Plan) (collectively, the "Company Plans").
  - (iii) All of the Company Plans are and have been established, registered (where required), qualified and, in all material respects, administered in accordance with all applicable Laws, and in accordance with their terms and the terms of agreements between the Company and its employees and former employees who are members of, or beneficiaries under, the Company Plans.
  - (iv) All current obligations of the Company regarding the Company Plans have been satisfied in all material respects. All contributions, premiums or taxes required to be made or paid by the Company under the terms of each Company Plan or by applicable Laws in respect of the Company Plans have been made in a timely fashion in accordance with applicable Laws and in accordance with the terms of the applicable Company Plan.
  - (v) As of the date hereof, no currently outstanding notice of under-funding, non-compliance, failure to be in good standing or otherwise has been received by the Company from any applicable Governmental Entities in respect of any Company Plan. No Company Plan provides any non-pension post-retirement or post-

employment benefits. The Company would not incur any material withdrawal liability from withdrawing from any Company Plan.

- (vi) To the knowledge of the Company, no Company Plan is subject to any pending investigation, examination or other proceeding, action or claim initiated by any Governmental Entity, or by any other party (other than routine claims for benefits) and, to the knowledge of the Company, there exists no state of facts which after notice or lapse of time or both would reasonably be expected to give rise to any such investigation, examination or other proceeding, action or claim or to affect the registration or qualification of any Company Plan required to be registered or qualified.
- (vii) Except as disclosed in writing to the Purchaser prior to the date hereof, none of the execution and delivery of this Agreement by the Company or consummation of the Arrangement or compliance by the Company with any of the provisions hereof shall result in any payment (including severance, unemployment compensation, bonuses or otherwise) becoming due to any director, officer or employee of the Company or former director, officer or employee of the Company or result in any increase or acceleration of contributions, liabilities or benefits, or acceleration of vesting, under any Company Plan or restriction held in connection with a Company Plan.
- (dd) **Insurance.** The Company maintains policies or binders of insurance as listed and disclosed in writing to the Purchaser, which written disclosure contains a description of all rights to indemnification now existing in favour of present or former officers and directors of the Company that arise in connection with their serving as directors or officers of the Company, except for any rights of indemnification that are included in the Company's charters, by-laws or other comparable organizational documents. The Company is covered by valid and currently effective insurance policies issued in favour of the Company that the Company reasonably has determined to be commercially reasonable, taking into account the industries in which the Company operates. With respect to each insurance policy issued in favour of the Company, including those disclosed in writing to the Purchaser, or pursuant to which the Company is a named insured or otherwise a beneficiary under an insurance policy (i) the policy is in full force and effect and all premiums due thereon have been paid, (ii) the Company is not in breach or default, and the Company has not taken any action or failed to take any action that, with notice or the lapse of time, would constitute such a breach or default, or permit termination or modification of, any such policy, (iii) to the knowledge of the Company, no insurer on any such policy has been declared insolvent or placed in receivership, debt restructuring proceedings or liquidation, and no notice of cancellation or termination has been received by the Company with respect to any such policy, (iv) to the knowledge of the Company, none of such policies will terminate or lapse by reason of the transactions contemplated by this Agreement, (v) no insurer under any such policy has cancelled or generally disclaimed liability under any such policy or indicated any intent to do so or not to renew any such policy, (vi) there is no claim by the Company pending under any such policy that has been denied or disputed by the insurer, and (vii) all claims under such policies have been filed in a timely fashion.
- (ee) **Related Party Transactions.** The Company is not indebted to any director, officer, employee or agent of, or independent contractor to, the Company or any of its respective affiliates or associates (except for amounts due as normal salaries and bonuses and in reimbursement of ordinary expenses). Except as disclosed in the Company's Public Disclosure Record filed, on or before the date hereof, no director, officer, employee or agent of the Company or any of its affiliates or associates is a party to any loan, contract, arrangement or understanding or other transactions with the Company required to be disclosed pursuant to Securities Laws.
- (ff) **Environment.** Except as otherwise disclosed in writing to the Purchaser:
  - (i) The Company is in compliance, in all material respects, with all, and has not violated, in any material respect, any, Environmental Laws;
  - (ii) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (x) the Company has not Released, and, to the knowledge of the Company, no other person has Released, any Hazardous Substances (in each case except in compliance with applicable Environmental Laws) on, at, in, under or from any of the immovable properties, real properties (including the workplace environment) or any lands subject to the Retained Leases currently or, to the Company's knowledge, previously owned, leased or operated by a prior owner of such Retained Leases, and (y), to the knowledge of the Company, there are no Hazardous Substances or other conditions that could reasonably be expected to result in liability of or adversely affect the Company under or related to any Environmental Law on, at, in, under or from any of the immovable properties, real properties (including the workplace environment) or any lands subject to the Retained Leases currently or, to the Company's knowledge, previously owned, leased or operated by a prior owner of such leases;

- (iii) There are no pending claims or, to the knowledge of the Company, threatened claims, against the Company arising out of any Environmental Laws;
  - (iv) No Liens other than Permitted Liens in favour of a Governmental Entity arising under Environmental Laws is pending or, to the knowledge of the Company, threatened, affecting, in any material respect, the Company or any real property owned, or leased by the Company; and
  - (v) The Company has conducted its business in accordance with applicable Environmental Laws.
- (gg) **First Nations and Native Issues.** The Company:
- (i) other than has been disclosed in writing to the Purchaser prior to the date hereof or with respect to which the Parent or one of its affiliates is a party, is not a party to any arrangement or understanding with local or First Nations or tribal or native authorities or communities in relation to the environment or development of communities in the vicinity of any of the Retained Projects; and
  - (ii) other than has been disclosed in writing to the Purchaser prior to the date hereof, has not received notice of any claim with respect to any of the Retained Projects for which the Company has been served, either from First Nations or tribal or native authorities, the Ministry of Energy, Mines and Petroleum Resources or any other Governmental Entity, indicating that any of the Retained Projects infringe upon or has an adverse effect on aboriginal rights or interests of such First Nations or tribal or native authorities.
- (hh) **Employment Matters.**
- (i) The Company is not a party to or bound or governed by: (i) except for the Contracts with those individuals listed and disclosed in writing to the Purchaser prior to the date hereof, (A) any existing employment agreement with any officer of the Company or any other person, or (B) any change of control agreement with any officer or senior employee or any written or oral agreement, arrangement or understanding providing for an existing retention, severance or termination compensation or benefits to any officer or senior employee; (ii) any existing collective bargaining or union agreements or agreements with employees' associations or other organizations; or (iii) except for the Contracts with those individuals listed and disclosed in writing to the Purchaser prior to the date hereof, any change of control agreement with any officer, employee or independent contractor or any written or oral agreement, arrangement or understanding providing for retention, severance or termination compensation or benefits to any officer or senior employee of the Company.
  - (ii) The Company is in compliance with all applicable employment and labour laws including but not limited to labour relations, employment standards (including minimum wage, overtime, and vacation requirements), human rights, disability, workers' compensation, pay equity, employment equity and occupational health and safety, and there are no material claims, actions, complaints, grievances, audits, orders, penalties or assessments.
  - (iii) All contributions and premiums required to be paid to all statutory plans which the Company is required to comply with, including the Canada pension plan and plans administered pursuant to applicable provincial health tax, workers compensation and employment insurance laws have been paid by the Company in accordance with applicable Law.
- (ii) **Confidentiality Agreements.** The Company has not waived or released the applicability of any "standstill" or other provisions of any confidentiality agreements entered into by the Company.
- (jj) **Vote Required.**
- (i) The only vote of holders of securities of the Company necessary (under the Company's Organizational Documents, the CBCA, other applicable Laws or otherwise) to approve the Arrangement is, subject to any requirements of the Interim Order, the Required Vote.
  - (ii) There are no shareholders agreements, registration rights agreements, voting trusts, proxies or similar agreements, arrangements or commitments to which the Company is a party or, to the knowledge of the Company, with respect to any shares or other equity interests of the Company or any other Contract relating to disposition, voting or dividends with respect to any equity securities of the Company.
- (kk) **Brokers.** Except as disclosed to the Parent in respect of the amounts payable to each of RBC Dominion Securities Inc. and TD Securities Inc., no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission from, or to the reimbursement of any of its expenses by, the Company in connection with this Agreement or the Arrangement. The Company has provided to the Purchaser a correct and complete copy of all

agreements relating to the arrangements between it and each of RBC Dominion Securities Inc. and TD Securities Inc. that are in effect at the date hereof.

- (ll) **Anti-Corruption.** The Company has not made, offered, or authorized and will not make, offer or authorize any payment, gift, promise or other advantage, in connection with the matters which are the subject to this Agreement, whether directly or indirectly through any other person or entity, to or for the use or benefit of any public official (i.e., any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of a public agency, a public enterprise or a public international organization) or any political party or political party official or candidate for office, where such payment, gift or promise would violate the applicable Laws of Canada. The Company shall defend, indemnify and hold the Purchaser and its affiliates harmless from and against any and all claims, damages, losses, penalties, costs and expenses arising from or related to any breach by the Company or its connected persons of such warranty. Such indemnity obligations shall survive termination or expiration of this Agreement.
- (mm) **Foreign Private Issuer.** The Company is a "foreign private issuer" as defined in Rule 405 of Regulation C under the U.S. Securities Act.
- (nn) **Investment Company.** The Company is not registered, and is not required to be registered, as an "investment company" within the meaning of the United States Investment Company Act of 1940, as amended.

### **Section 3.2 Disclaimer**

Each of the representations and warranties of the Company in this Agreement shall be qualified, by excepting therefrom any matter, event or circumstance to the extent actually known by the Parent or the Purchaser on the date hereof as a result of the legal or beneficial ownership of, or right, title or interest in and to, or operatorship of, the Retained Leases or Retained Projects, as applicable, by the Parent, the Purchaser or any of their affiliates.

### **Section 3.3 Survival of Representations and Warranties**

No investigation by or on behalf of, or knowledge of, the Parent or the Purchaser or any of their affiliates, will mitigate, diminish or affect the representations or warranties made by the Company in this Agreement or any certificate delivered by the Company pursuant to this Agreement. The representations and warranties of the Company contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms. This Section 3.3 shall not limit any undertaking, obligations covenant or agreement of whatever nature of the Company which, by its terms, contemplates performance after the Effective Time or date on which this Agreement is terminated, as the case may be.

## **ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE PARENT AND THE PURCHASER**

### **Section 4.1 Representations and Warranties of the Purchaser**

The Parent and the Purchaser hereby represent and warrant to the Company as follows and acknowledge that the Company is relying upon these representations and warranties in connection with the entering into of this Agreement:

- (a) **Organization and Qualification.** Each of the Parent and the Purchaser is a corporation duly formed and organized and validly existing under the federal laws of Canada and has the requisite power and authority to carry on its business as it is now being conducted.
- (b) **Authority Relative to this Agreement.** Each of the Parent and the Purchaser has the requisite authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation by each of the Parent and the Purchaser of the transactions contemplated hereby have been duly authorized by the board of directors of the Parent and the Purchaser and no other proceedings on the part of the Parent or the Purchaser are or will be necessary to authorize this Agreement and the transactions and documentation contemplated hereby. This Agreement has been duly executed and delivered by each of the Parent and the Purchaser and constitutes the legal, valid and binding obligation of each of the Parent and the Purchaser enforceable against the Parent and the Purchaser in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally, and to general principles of equity.
- (c) **Ownership of Purchaser.** The Purchaser is a wholly-owned subsidiary of the Parent.
- (d) **No Violations.** None of the execution and delivery of this Agreement by the Parent or the Purchaser, the consummation of the transactions contemplated hereby or compliance by the Parent or the Purchaser with any of the provisions hereof will:

- (i) violate, conflict with, or result in breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Parent or the Purchaser or any of their subsidiaries under, any of the terms, conditions or provisions of: (A) the articles and by-laws of the Parent or the Purchaser, as amended; or (B) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other material instrument or obligation to which the Parent or the Purchaser or any of their subsidiaries is a party or to which any of them, or any of their respective properties or assets, may be subject or by which the Parent or the Purchaser or any of their subsidiaries is bound;
- (ii) subject to compliance with the statutes and regulations referred to below, violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to the Parent or the Purchaser or any of their subsidiaries

(except, in the case of each of clauses (i) and (ii) above, for such violations, conflicts, breaches, defaults, terminations which, or any consents, approvals or notices which if not given or received, would not have any material adverse effect on the ability of the Parent or the Purchaser to consummate the transactions contemplated hereby); or

- (iii) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would have a material adverse effect on the ability of the Parent or the Purchaser to consummate the transactions contemplated hereby.

Other than in connection with or in compliance with the provisions of Securities Laws, the rules of the Exchange and the Competition Act Approval, (i) there is no legal impediment to either the Parent's or the Purchaser's consummation of the transactions contemplated by this Agreement and (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by the Parent or the Purchaser in connection with the consummation of the Arrangement, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals, which, if not received, would not have a material adverse effect on the ability of the Parent or the Purchaser to consummate the transactions contemplated hereby.

- (e) **Funds Available.** The Parent and the Purchaser have sufficient funds available to satisfy the aggregate consideration payable pursuant to the Arrangement so that the Purchaser is in a position to pay for all the Common Shares acquired pursuant to the Arrangement in accordance with the terms of this Agreement and the Plan of Arrangement.
- (f) **Status.** Parent is not a non-Canadian for the purposes of the *Investment Canada Act*.
- (g) **Interest in Transferred Leases.** Except as has been otherwise disclosed in writing to the Company prior to the date hereof, and except for such matters, events or circumstances as are actually known by the Company on the date hereof as a result of its interest in the Transferred Leases or its activities on the lands underlying such Transferred Leases:
  - (i) the Parent or its affiliate is a 50% beneficial owner and 50% legal owner of all right, title and interest in and to each of the Transferred Leases, and holds good, valid and marketable beneficial title to its working interests in each of the Transferred Leases free and clear of any and all Liens, other than the Transferred Leases Permitted Liens;
  - (ii) to the knowledge of the Parent, all of the Transferred Leases are valid and subsisting;
  - (iii) to the knowledge of the Parent, the Transferred Leases are in good standing under applicable Law and all work required to be performed and filed in respect thereof has been performed and filed, all Taxes, rentals, fees, expenditures, reclamation bonds and other payments in respect thereof have been paid or incurred and all filings in respect thereof have been made;
  - (iv) to the knowledge of the Parent, there is no adverse claim, or challenge, in progress, pending or threatened against, or to, the title to or ownership of any of the Transferred Leases, including any First Nations and/or tribal title claims;
  - (v) other than the Company with respect to a 50% working interest in each of the Transferred Leases or with respect to any interests created by, through or under the Company, no person other than the Parent or its affiliates have any interest in any such leases or the production or profits therefrom or any royalty in respect thereof or any right to acquire any such interest;
  - (vi) other than the Company, as applicable, no person has any back-in rights, earn-in rights, rights of first refusal or similar provisions or rights or options that would affect the Parent's interest in any of the Transferred Leases;

- (vii) to the knowledge of the Parent, there are no material restrictions on the ability of the Parent to use, transfer or exploit any of the Transferred Leases, except pursuant to applicable Law or the terms of such leases, as applicable;
  - (viii) to the knowledge of the Parent, the Parent is not in breach or violation or default (in each case, with or without notice or lapse of time or both) in any material respect under any of the Transferred Leases and the Parent has not received or given any notice of default under any of the Transferred Leases;
  - (ix) the Parent has not received any notice, whether written or oral, from any Governmental Entity of any revocation or intention to revoke any interest of the Parent in any of the Transferred Leases;
  - (x) to the knowledge of the Parent, no facts or circumstances exist that could reasonably be expected to form the basis of a material Legal Action against the Parent or its affiliates with respect to the Transferred Leases at law or in equity before or by any Governmental Entity; and
  - (xi) to the knowledge of the Parent, all material rentals, royalties, overriding royalty interests, production payments, net profits, interest burdens, payments and obligations due and payable, or performable, as the case may be, on or prior to the date hereof under, with respect to, or on account of, the Transferred Leases have been: (i) duly paid; (ii) duly performed; or (iii) provided for prior to the date hereof.
- (h) **Foreign Private Issuer.** The Parent and the Purchaser are each a "foreign private issuer" as defined in Rule 405 of Regulation C under the U.S. Securities Act.
- (i) **Investment Company.** Neither the Parent nor the Purchaser nor any of their subsidiaries is registered, or is required to be registered, as an "investment company" within the meaning of the United States Investment Company Act of 1940, as amended.

#### **Section 4.2 Survival of Representations and Warranties**

The representations and warranties of the Parent and the Purchaser contained in this Agreement shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms. This Section 4.2 shall not limit any covenant or agreement of the Parent or the Purchaser which, by its terms, contemplates performance after the Effective Time or date on which this Agreement is terminated, as the case may be.

### **ARTICLE 5 COVENANTS OF THE PARTIES**

#### **Section 5.1 Covenants of the Company Regarding the Conduct of Business**

The Company covenants and agrees that, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, unless the Purchaser shall otherwise agree in writing (to the extent that such consent is permitted by applicable Law), or except as is otherwise expressly permitted or contemplated by this Agreement or the Plan of Arrangement or as is otherwise required by applicable Law:

- (a) the business of the Company and its subsidiaries shall be conducted only, and the Company and its subsidiaries shall not take any action except, in the ordinary course of business consistent with past practice, and the Company shall use reasonable best efforts to maintain and preserve its and its subsidiaries' business organization, assets, properties, employees, goodwill and business relationships, including the Retained Leases;
- (b) the Company shall not directly or indirectly: (i) amend the Company's Organizational Documents; (ii) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of the Common Shares; (iii) adjust, split, combine or reclassify its shares; (iv) issue, assume, grant, sell or cause or permit a Lien to be created on, or agree to issue, assume, grant, sell or cause or permit a Lien to be created on, any shares of the Company or its subsidiaries or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, shares of the Company or any of its subsidiaries, other than the issuance of Common Shares issuable pursuant to the terms of the outstanding Company Options; (v) redeem, purchase or otherwise acquire or subject to a Lien any of its outstanding securities or securities convertible or exchangeable into or exercisable for any such securities; (vi) amend or modify the terms of any of its securities; (vii) adopt a plan of liquidation or resolution providing for the winding-up, liquidation or dissolution of the Company or any of its subsidiaries; (viii) amend its existing accounting policies, practices, methods and principles or adopt new accounting policies, in each case except as required in accordance with GAAP; (ix) make, change or rescind any Tax election or settle or compromise any Tax liability; or (x) authorize or propose any of the foregoing, or enter into, modify or terminate any Contract with respect to any of the foregoing;

- (c) the Company shall promptly notify the Purchaser in writing of (i) all matters relating to the Retained Projects, (ii) all matters relating to the Legal Actions, if any, as disclosed in writing to the Purchaser, and (iii) any circumstance or development that, to the knowledge of the Company, is or would reasonably be expected to have a Material Adverse Effect or any change in any fact set forth disclosed in writing to the Purchaser, or in the Company's Public Disclosure Record; provided that the delivery of any such notification shall not modify, amend or supersede any disclosure disclosed in writing to the Purchaser or any representation or warranty of the Company contained in this Agreement or in any certificate or other instrument delivered in connection herewith and will not affect any right of the Purchaser hereunder;
- (d) the Company shall not, and shall not permit any of its subsidiaries to, directly or indirectly: (i) sell, pledge, lease, license, dispose of or cause or permit a Lien to be created or assumed on any assets; (ii) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets or otherwise) any corporation, partnership or other business organization or division thereof or any property or asset, or make any investment either by the purchase of securities, contributions of capital, property transfer, or purchase of any property or enter into or extend any option to acquire, or exercise an option to acquire, any property or assets of any other person, if any of the foregoing would reasonably be expected to be material to the Company and its subsidiaries taken as a whole and are otherwise not in the ordinary course of business consistent with past practice; (iii) except in accordance with the Loan Agreement, incur any Indebtedness or issue any debt securities or assume, endorse or otherwise as an accommodation become responsible for the obligations of any other person, or make any loans or advances or provide any guarantee or other financial assistance of the obligations of any person; (iv) make or commit to make capital expenditures except in the ordinary course of business consistent with past practice; (v) take any action that would cause any of the representations or warranties set forth in Article 3 to be untrue as of the date of this Agreement or as of the Effective Time; (vi) pay, discharge or satisfy any material claims, liabilities or obligations other than the payment, discharge or satisfaction of liabilities reflected or reserved against in the Company Financial Statements or in the ordinary course of business consistent with past practice; (vii) waive, release, grant or transfer any rights of material value; (viii) enter into a new line of business; or (ix) authorize or propose any of the foregoing, or enter into or modify any Contract to do any of the foregoing;
- (e) except for those contracts entered into with respect to the Spin-Off Assets and/or Newco in compliance with Section 5.1(f) hereof, the Company shall not, and shall not permit any of its subsidiaries to, directly or indirectly (i) enter into any Contract with respect to the purchase, sale, disposition or development of any asset or property outside the ordinary course of business or that would impose payment or other obligations on the Company or any of its subsidiaries in excess of \$100,000 in the aggregate; (ii) enter into any Contract or series of Contracts resulting in a new Contract or series of related new Contracts that would result in any Contract having a term in excess of 12 months and that would not be terminable by the Company or its subsidiaries upon notice of 90 days or less from the date of the relevant Contract, or that would impose payment or other financial obligations on the Company in excess of \$100,000; (iii) enter into any Contract that would limit or otherwise restrict the Company or any of its subsidiaries or any of their successors, or that would, after the Effective Time, limit or otherwise restrict the Purchaser or any of their respective affiliates or any of their successors, from engaging or competing in any line of business or in any geographic area; (iv) waive, release or amend in any material respect (A) any existing contractual rights in respect of or relating to any of the Retained Leases, (B) any Contract or (C) any other legal rights or claims; or (v) terminate, cancel or amend any Material Contract not otherwise contemplated in this Section 5.1(e);
- (f) as of the date of this Agreement and thereafter, any Contracts entered into with respect to the Spin-Off Assets and/or Newco shall explicitly provide that on the Effective Date such Contract shall be assigned to Newco without further action by the parties to such Contract and that thereafter the Company shall have no liability in respect thereof and shall be entered into by Newco in accordance with this Section 5.1(f);
- (g) other than as is necessary to comply with applicable Laws, the Company Plans or Contracts, neither the Company nor any of its subsidiaries, in respect of the Company Employees, shall (i) grant to any officer or director of the Company or any of its subsidiaries an increase in compensation in any form; (ii) grant any general salary increase; (iii) take any action with respect to the grant of any severance or termination pay; (iv) enter into any employment agreement with any officer or director of the Company or any of its subsidiaries; (v) increase any benefits payable under its current severance or termination pay policies; or (vi) adopt any new pension, benefit or compensation plan or materially amend or make any contribution to any Company Plan;
- (h) except as permitted pursuant to this Section 5.1, the Company shall not, and shall not permit any of its subsidiaries to, make any loans, advances or capital contributions to, or investments in, or guarantees or other financial assistance to, any other person, or make any loans to any officer, director or employee of the Company or any of its subsidiaries;
- (i) the Company shall not, and shall not permit any of its subsidiaries to, waive, release, assign, settle or compromise (i) any Legal Actions or any claim or liability or (ii) any Legal Action that is brought by any current, former or



purported holder of any securities of the Company in its capacity as such and that (A) requires any payment to such security holders by the Company or any subsidiary or (B) adversely affects in any respect the ability of the Company and the subsidiaries to conduct their business in a manner consistent with past practice;

- (j) the Company shall use its best efforts to maintain and preserve all of its rights under each of the Retained Leases and under each of its Permits;
- (k) the Company shall not file, amend, abandon, fail to progress, or withdraw any application for regulatory approval in respect of any of the Retained Projects;
- (l) the Company shall use its commercially reasonable efforts to cause the current insurance (or re-insurance) policies maintained by the Company or any of its subsidiaries that is placed by the Company, including directors' and officers' insurance, not to be cancelled or terminated and to prevent any of the coverage thereunder from lapsing, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing having comparable deductions and providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect; provided that none of the Company or any of its subsidiaries shall obtain or renew any insurance (or re-insurance) policy for a term exceeding 12 months and provided that Purchaser will be granted the right to cancel any such insurance or reinsurance policy (other than any run off policy placed pursuant to Section 7.8) after the Closing Date and to be paid the corresponding pro-rata temporis return premium; and
- (m) the Company will not enter into or amend any Contract with any broker, finder or investment banker as contemplated in Section 3.1(3)(kk), including any amendment of any of the Contracts referred to in the second sentence of Section 3.1(3)(kk).

#### **Section 5.2 Pre-Acquisition Reorganizations**

- (1) Subject to the following sentences, the Company agrees that, upon request by the Purchaser, the Company shall, and shall cause its subsidiaries to, at the expense of the Purchaser, use all commercially reasonable efforts to:
  - (a) effect such reorganizations of its business, operations and assets and the integration of other affiliated businesses as the Purchaser may request, acting reasonably (each a "**Pre-Acquisition Reorganization**"), which Pre-Acquisition Reorganization shall include any or all of the steps, as determined by the Purchaser in its sole discretion; and
  - (b) cooperate with the Purchaser and its advisors to determine the nature of the Pre-Acquisition Reorganizations that might be undertaken and the manner in which they may most effectively be undertaken, including for greater certainty, the determination of the tax basis attributable to Newco in conjunction with the Spin-Off.
- (2) Without limiting the foregoing, the Company agrees that it will, at the request of the Purchaser:
  - (a) amend the articles of incorporation of Newco such that its share capital will, as of the Effective Time, consist of an unlimited number of common shares and an unlimited number of preferred shares, such shares having the terms and conditions determined by the Purchaser and consistent with the Plan of Arrangement;
  - (b) prior to the Effective Date, incorporate PartnerCo under the CBCA as a wholly-owned subsidiary of the Company having a share capital and other share conditions as are determined by the Purchaser;
  - (c) prior to the Effective Date, form, together with PartnerCo, a general partnership under the laws of Alberta to be named "Frontier Energy Partnership", the whole to be in a form satisfactory to the Purchaser; and
  - (d) enter into, and cause PartnerCo and Frontier Partnership to enter into, the Frontier Partnership Contribution Agreement and any ancillary agreements to complete the transfer of the Retained Assets to Frontier Partnership as of the Effective Date.
- (3) The Purchaser shall provide written notice to the Company of any proposed Pre-Acquisition Reorganization at least ten (10) days prior to the anticipated Effective Time. Upon receipt of such notice, the Purchaser and the Company shall, at the expense of the Purchaser, work cooperatively and use all commercially reasonable efforts to prepare prior to the Effective Time all documentation necessary and do such other acts and things as are necessary to give effect to any Pre-Acquisition Reorganizations. Notwithstanding the foregoing, the Company shall not be required to effect a Pre-Acquisition Reorganization unless it has received an appropriate indemnity indemnifying it for all costs, expenses, and losses which it may suffer solely as a result of such Pre-Acquisition Reorganization if after participating in any Pre-Acquisition Reorganization the Arrangement is not completed other than due to a breach by the Company of the terms and conditions of the Agreement.

### Section 5.3 Transfer Agreement

- (1) The Company shall enter into and cause Newco and Frontier Partnership to enter into the Transfer Agreement and ancillary agreements to complete the transfer of the Spin-Off Assets to Newco as of the Effective Date.
- (2) Attached as Schedule B to the Transfer Agreement is a Working Capital Statement, which is the Company's projection, as at the date of the Arrangement Agreement, of the Transferred Working Capital as at the Effective Time.
- (3) On the fifth (5<sup>th</sup>) business day preceding the estimated Closing Date, the Company shall prepare, in consultation with, and subject to acknowledgement and verification by, the Purchaser, and provide to the Purchaser an updated Working Capital Statement, which Working Capital Statement shall be prepared on a basis consistent with the Working Capital Statement attached as Schedule B to the Transfer Agreement and which updated Working Capital Statement shall include an estimate of the Pre-Closing Taxes, which shall be calculated on a reasonable basis taking into account the implied value of Newco based upon the five-trading day volume weighted average trading price of the Company Common Shares ending on the sixth (6<sup>th</sup>) business day preceding the estimated Closing Date.

### Section 5.4 Sale of Newco or Spin-Off Assets to Third Party

Subject to Section 7.2 of this Agreement, prior to the Effective Time the Company may enter into an agreement for the sale of the shares of Newco or the sale by Newco of all or any portion of the Spin-Off Assets to a third party, with the prior written consent of the Purchaser, which consent may be withheld upon the Purchaser determining that such sale could reasonably be expected to result in a pre-merger filing under the Competition Act or have any adverse effect on the Arrangement or on the Company or the Purchaser following completion of the Arrangement, including (i) from a financial point of view (on an after tax basis, after taking into account, among other things, the tax effect of such transaction on the Company and the Purchaser), (ii) on the timing of completion of the Arrangement, (iii) on the desire of a Major Shareholder to support the Arrangement or vote in favour of the Arrangement, (iv) on the ability of the Purchaser or the Company to complete the Arrangement or effect a Pre-Acquisition Reorganization or (v) on the structure of the Arrangement. Any such sale of Newco or the Spin-Off Assets shall not be completed and closed until after the Effective Time. If prior to the Effective Time, the Company or Newco enters into an agreement to sell the shares of Newco or all or any portion of the Spin-Off Assets, Newco shall indemnify the Company for any increase in the tax liability of the Company relating to any increased price for Newco or all or any portion of the Spin-Off Assets in connection with such sale, which agreement to indemnify from Newco will be incorporated as a covenant in the Transfer Agreement.

### Section 5.5 Interim Funding; Frontier Expenditures

- (1) The Company agrees that it will, at or prior to entering into the Loan Agreement and in any event prior to making any request for an advance under the Loan Agreement, terminate the Credit Facilities and obtain a release of any security provided in connection with the Credit Facilities and a discharge of any registrations made in connection with such security. The Company shall provide such documentation to the Purchaser as it may reasonably request evidencing the termination of the Credit Facilities, the release of such security and the discharge of such registrations.
- (2) The Purchaser agrees that it will provide the Company, on the written request of the Company, a senior secured loan (the "**Loan**") in the principal amount of up to \$20 million (the "**Commitment Amount**"). The Commitment Amount shall be reduced to the extent of any amounts drawn by the Company from time to time that remain outstanding. Amounts outstanding under the Loan from time to time shall bear interest, both before and after demand and judgment to the date of the repayment in full of the principal amount, at a rate of interest equal to the Prime Rate plus three and one-half (3.5%) per cent per annum, where "**Prime Rate**" shall mean the annual rate of interest announced by Royal Bank of Canada from time to time as being a reference rate then in effect for determining interest rates on Canadian dollar commercial loans made in Canada. Interest at such rate shall accrue daily and be calculated on the basis of the actual number of days elapsed in a year of 365 days or 366 days, as the case may be, and shall be payable on maturity of the Loan. Overdue interest shall bear interest at the same rate, calculated as aforesaid. All amounts outstanding under the Loan from time to time (including all accrued interest) shall be immediately due and owing by the Company in the event of the termination of this Agreement by the Purchaser pursuant to Section 8.2(3)(a), (b), (c), (d) or (g) hereof, or by the Company pursuant to Section 8.2(4)(b) hereof, and shall otherwise be due and owing by the Company on the sixtieth (60<sup>th</sup>) day following any other termination of this Agreement or the Loan Agreement. The terms of the Loan shall otherwise be as set out in a loan agreement to be entered into by the Company and the Purchaser substantially in the form of loan agreement attached as Schedule E hereto (the "**Loan Agreement**").
- (3) Each borrowing by the Company under the Loan shall be made on not less than three business days prior notice to the Purchaser, given not later than 11:00 a.m. (Toronto time) by the Company to the Purchaser. Advances may only be made under the Loan Agreement if the conditions precedent to such borrowing set forth in the Loan Agreement have been satisfied, including, among other things, if:

- (a) the Company has previously terminated the Credit Facilities and obtained a release of all related security and a discharge of all related registrations in order to ensure that all obligations under the Loan Agreement and related security are secured by first priority liens on the property and assets of the Company;
  - (b) the Company is not then in breach of any of its obligations under this Agreement, the Loan Agreement or the Security;
  - (c) no event of default under the Loan Agreement has occurred and is continuing and no event has occurred or condition exists which would, with the giving of notice or the passage of time, or both, constitute an event of default under the Loan Agreement; and
  - (d) the representations and warranties of the Company in this Agreement, in the Loan Agreement and all related documents delivered to the Purchaser (including the Security) are true and correct as at the date of such advance.
- (4) The Company agrees that it will, prior to the first advance by the Purchaser under the Loan (and as a condition to the making of such advance) deliver to the Purchaser the following:
- (b) a duly executed general security agreement, a fixed and floating charge debenture, a debenture pledge agreement and such other security as may be required by the Purchaser (collectively, the "Security"), such Security to be in form and content satisfactory to the Purchaser (in its sole discretion);
  - (c) evidence that all registrations in respect of the Security have been made to ensure that all obligations under the Loan Agreement and the Security are secured by first priority liens on the property and assets of the Company; and
  - (d) a duly executed Loan Agreement, together with such other documents as the Purchaser may request (in its sole discretion).
- (5) The Purchaser and the Parent agree that during the period between January 1, 2012, and the earlier of the termination of this Agreement in accordance with its terms or the completion of the Arrangement, any costs incurred by the Parent or its affiliates in respect of the Frontier Project, other than any cancellation costs incurred by the Parent or its affiliates in connection with the previously planned 2012 exploration program in respect of the Frontier Project, will be for its own account, and the Company shall not be required to fund its share of such costs. For greater certainty, this shall not limit the obligations of the Company in respect of the previously approved 2011 budget for the Frontier Project.

#### **Section 5.6 Covenants of the Company Regarding the Arrangement**

The Company shall perform, and shall cause its subsidiaries to perform, all obligations required or desirable to be performed by the Company or any of its subsidiaries under this Agreement, co-operate with the Purchaser in connection therewith, and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated in this Agreement and, without limiting the generality of the foregoing, the Company shall and, where appropriate, shall cause its subsidiaries to:

- (a) except as specifically permitted by Section 7.2, use all commercially reasonable efforts to obtain the Required Vote;
- (b) unless this Agreement shall have been terminated in accordance with Section 8.2, submit this Agreement to the Company Shareholders at the Company Meeting in accordance with Section 2.2 even if the Board shall have withdrawn, amended, modified or qualified its recommendation of this Agreement or the Arrangement;
- (c) use all commercially reasonable efforts to obtain all necessary waivers, consents and approvals required to be obtained by the Company or a subsidiary in connection with the Arrangement from other parties to the Contracts (and to the extent not terminated pursuant to Section 5.5, to terminate the Credit Facilities as of the Effective Date); and notwithstanding anything to the contrary in this Agreement, in connection with obtaining any approval or consent from any person (other than a Governmental Entity) with respect to any transaction contemplated by this Agreement, (i) without the prior written consent of the Purchaser, not pay or commit to pay to such person whose approval or consent is being solicited any cash or other consideration, or make any commitment or incur any liability or other obligation due to such person, and (ii) the Purchaser or any of its affiliates shall not be required to pay or commit to pay to such person whose approval or consent is being solicited any cash or other consideration, or make any commitment or incur any liability or other obligation to such person;
- (d) except as otherwise provided in this Agreement in relation to the Competition Act Approval, apply for and use all commercially reasonable efforts to obtain, and use all commercially reasonable efforts to assist the Purchaser to obtain, all Regulatory Approvals and, in doing so, keep the Purchaser reasonably informed as to the status of the proceedings related to obtaining the Regulatory Approvals, including providing the Purchaser with copies of all related applications and notifications (other than confidential information contained in such applications and notifications), in draft form, in order for the Purchaser to provide its comments thereon;

- (e) defer (or postpone) the separation time of the rights under the Shareholder Rights Plan in respect of the Arrangement and waive the application of the Shareholder Rights Plan to the Arrangement immediately prior to the Effective Time;
- (f) not waive the application of the Shareholder Rights Plan or take any other action which would limit the application of the Shareholder Rights Plan to any other Acquisition Proposal;
- (g) use all commercially reasonable efforts to have the Newco Shares to be issued pursuant to the Arrangement accepted or approved for listing on an Exchange as of the Closing Date;
- (h) use all commercially reasonable efforts to ensure that it has as of the Effective Time an amount of Transferred Working Capital that is no less than \$20 million;
- (i) use commercially reasonable efforts to defend all lawsuits or other legal, regulatory or other proceedings against the Company or any of its subsidiaries challenging or affecting this Agreement or the consummation of the transactions contemplated hereby; and
- (j) use all commercially reasonable efforts to seek and obtain all assignment and novation agreements required in connection with the Spin-Off Assets pursuant to the Transfer Agreement effective as of the Closing Date, which assignment and novation agreements shall provide that the Company is released from all obligations and liabilities whether occurring before, on or after the Effective Time.

**Section 5.7 Covenants of the Purchaser Regarding the Performance of Obligations**

Except as contemplated in this Agreement, the Purchaser shall perform all obligations required or desirable to be performed by it under this Agreement, co-operate with the Company in connection therewith, and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated in this Agreement and, without limiting the generality of the foregoing, the Purchaser shall:

- (a) except as otherwise provided in this Agreement in relation to the Competition Act Approval, apply for and use all commercially reasonable efforts to obtain all Regulatory Approvals relating to it and relating to the Company or any of the Company's subsidiaries and, in doing so, keep the Company reasonably informed as to the status of the proceedings related to obtaining the Regulatory Approvals, including providing the Company with copies of all related applications and notifications in draft form (other than confidential information contained in such applications and notifications), in order for the Company to provide its reasonable comments thereon; provided, however, that, except as determined by the Purchaser in its sole discretion, nothing in this Agreement shall require the Parent, the Purchaser, the Company or any of their respective significant affiliates to divest or hold separate or otherwise take or commit to take any action to obtain any such Regulatory Approval that would adversely affect the activities of the Parent, the Purchaser, the Company or any of their respective significant affiliates as conducted on the date hereof in any material respect;
- (b) use all commercially reasonable efforts to effect all necessary registrations, filings and submissions of information required by Governmental Entities from the Purchaser, or any of its affiliates relating to the Arrangement; and
- (c) use commercially reasonable efforts to defend all lawsuits or other legal, regulatory or other proceedings against it challenging or affecting this Agreement or the consummation of the transactions contemplated hereby.

**Section 5.8 Performance of the Purchaser**

The Parent hereby unconditionally and irrevocably guarantees, and covenants and agrees to be jointly and severally liable with the Purchaser, for the due and punctual performance of each and every obligation of the Purchaser under or relating to the Arrangement and the other transactions contemplated by this Agreement (including under the Loan Agreement), including the payment of the aggregate consideration payable under the Arrangement.

**Section 5.9 Mutual Covenants**

Each of the Parties covenants and agrees that, except as contemplated in this Agreement, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms:

- (a) it shall, and shall cause its subsidiaries to, use all commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder as set forth in Article 6 and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under all applicable Laws to consummate the Arrangement, including using all commercially reasonable efforts to: (i) oppose, lift or rescind any injunction or restraining order against it or other order or action against it seeking to stop, or otherwise adversely affecting its ability to make and complete, the Arrangement; and (ii) co-operate with each other Party in connection with the performance by it and its subsidiaries of their obligations hereunder; and

- (b) it shall not take any action, refrain from taking any commercially reasonable action, or permit any action to be taken or commercially reasonable action to not be taken, which is inconsistent with this Agreement or which would reasonably be expected to impede the consummation of the Arrangement or to prevent or delay the consummation of the transactions contemplated hereby or which would diminish the value of the Company or its assets in any way, in each case, except as permitted by this Agreement, and provided that the foregoing shall not restrict the Parent or its affiliates from taking any action that is in the ordinary course of its business or commercial activities, including in connection with its interests in the Frontier Project.

#### **Section 5.10 Competition Clearance**

- (1) The Parties will each use commercially reasonable efforts to obtain Competition Act Approval and in doing so will cooperate with each other. Without limiting the generality of the foregoing, the Parties will as soon as practicable after the date of this Agreement, prepare and provide submissions to the Commissioner of Competition, including an application for an Advance Ruling Certificate and a request in the alternative for a no-action letter and a waiver from notification under paragraph 113(c) and, if the Parties agree their respective pre-merger notification under the Competition Act and promptly furnish any additional information requested under the Competition Act provided, however, that nothing in this Agreement shall require the Parent, the Purchaser, the Company or any of their respective significant affiliates to divest or hold separate or otherwise take or commit to take any action to obtain the Competition Act Approval that would adversely affect the activities of the Parent, the Purchaser, the Company or any of their respective significant affiliates as conducted on the date hereof, as determined by the Purchaser, acting reasonably.
- (2) Each Party will advise the other of any material written or verbal communications it has with the staff of the Competition Bureau or the Commissioner of Competition and will permit the other to participate in or review any such communication before it is made. The Purchaser shall give the Company notice of Competition Act Approval within three business days following receipt by the Purchaser of evidence thereof. Notwithstanding the foregoing, submissions, filings or other written communications to the Commissioner of Competition or the staff of the Competition Bureau may be redacted as necessary before sharing with the other party to address reasonable solicitor-client or other privilege concerns or concerns regarding confidentiality or competitively sensitive information, provided that external legal counsel to the Parties shall receive non-redacted versions of drafts or final submissions, filings or other written communications to the Commissioner of Competition or the staff of the Competition Bureau, other than in respect of privileged information, on the basis that the redacted information will not be shared with their respective clients.

#### **Section 5.11 Company Options**

The Parties acknowledge that the Arrangement will result in a "change of control" for purposes of the Company Option Plan and that all awards pursuant thereto will be accelerated thereunder and, in that regard the Purchaser acknowledges that upon approval of the Arrangement by the Company Shareholders, the Company will cause all outstanding Company Options to vest. The Company acknowledges and agrees that all Company Options must be exercised (including conditionally exercised), terminated or surrendered prior to the Effective Date, and agrees to cooperate with the Purchaser in making arrangements for any such conditional exercise, termination or surrender.

#### **Section 5.12 Cooperation Agreement**

The Parties covenant and agree that they shall negotiate in good faith a form of commercially reasonable cooperation agreement (to be effective following the Effective Date), on customary industry terms, pursuant to which each shall provide to the other Party reasonable rights of access to its applicable properties (provided that such access shall not interfere with the ordinary commercial activities of the Party on its properties) as is reasonably necessary for the other Party to develop and explore its own properties.

#### **Section 5.13 256 Election**

The Parties agree that the Company may, in its sole discretion, elect after the Effective Time in the manner and within the time prescribed by the Tax Act so that the provisions of subsection 256(9) of the Tax Act do not apply with respect to the acquisition of control of the Company occurring on the Effective Date.

## **ARTICLE 6 CONDITIONS**

#### **Section 6.1 Mutual Condition Precedents**

The obligations of the Parties to complete the transactions contemplated by this Agreement are subject to the fulfillment, on or before the Effective Date, of each of the following conditions precedent, each of which may only be waived by the mutual consent of the Parties:

- (a) the Arrangement shall have been approved at the Company Meeting by not less than the Required Vote;

- (b) the Interim Order and the Final Order shall each have been obtained in form and on terms reasonably satisfactory to each of the Parties, and shall not have been set aside or modified in a manner unacceptable to the Parties, acting reasonably, on appeal or otherwise;
- (c) all Regulatory Approvals shall have been obtained or concluded and, in the case of waiting or suspensory periods, expired, been terminated or been waived;
- (d) no Governmental Entity shall have enacted, issued, promulgated, applied for (or advised any of the Parties in writing that it has determined to make such application), enforced or entered any Law (whether temporary, preliminary or permanent) that restrains, enjoins or otherwise prohibits consummation of, or dissolves the Arrangement or the other transactions contemplated by this Agreement; and
- (e) this Agreement shall not have been terminated in accordance with its terms.

**Section 6.2 Additional Conditions Precedent to the Obligations of the Parent and the Purchaser**

The obligations of the Parent and the Purchaser to complete the transactions contemplated by this Agreement shall also be subject to the fulfillment of each of the following conditions precedent (each of which is for the exclusive benefit of the Parent and the Purchaser) and may be waived in whole or in part by the Parent and the Purchaser:

- (a) all covenants of the Company under this Agreement to be performed on or before the Effective Time shall have been duly performed by the Company in all material respects, and the Parent and the Purchaser shall have received a certificate of the Company addressed to the Parent and the Purchaser dated the Effective Time, signed on behalf of the Company by two senior executive officers of the Company (on the Company's behalf and without personal liability), confirming the same as at the Effective Time;
- (b) the representations and warranties of the Company set forth in this Agreement shall be true and correct (for representations and warranties qualified as to materiality or Material Adverse Effect, true and correct in all respects, and for all other representations and warranties, true and correct in all material respects) as of the Effective Time, as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date) and the Parent and the Purchaser shall have received a certificate of the Company addressed to the Parent and the Purchaser and dated the Effective Time, signed on behalf of the Company by two senior executive officers of the Company (on the Company's behalf and without personal liability), confirming the above as at the Effective Time;
- (c) all Regulatory Approvals shall have been obtained or concluded on terms and conditions that do not adversely affect the activities of the Parent, the Purchaser or the Company or any of their respective significant subsidiaries or affiliates as conducted on the date hereof and no Governmental Entity shall have advised the Parent, the Purchaser or the Company or any of their respective significant subsidiaries or affiliates that it intends to seek to impose or to have any court or tribunal impose any restriction on their respective activities (as conducted on the date hereof) as a result of the consummation of the Arrangement that would adversely affect the Parent, the Purchaser, the Company or any of their respective significant subsidiaries or affiliates;
- (d) all consents, authorizations, waivers, orders, licenses and approvals from or notifications to any persons required under the terms of any Contracts or Permits with respect to the acquisition of control of the Company by the Purchaser, or otherwise required in connection with the consummation of the transactions contemplated under this Agreement, in form and substance satisfactory to the Purchaser, acting reasonably, shall have been duly obtained or given, as the case may be, at or before the Effective Time, except for any the failure to obtain or provide which would not reasonably be expected to have a Material Adverse Effect;
- (e) no adverse Legal Action (whether, for greater certainty, by a Governmental Entity or any other person) shall be commenced or be pending or threatened and no Law shall have been proposed, enacted, promulgated or applied, in either case, (A) to cease trade, enjoin, prohibit or impose material conditions on the Arrangement or the transactions contemplated therein or herein, (B) to cease trade, enjoin, prohibit or impose material conditions on the rights of the Parent or the Purchaser to own or exercise full rights of ownership of the Common Shares upon the completion of the Arrangement or to conduct the business conducted by the Company, (C) to prohibit or restrict the completion of the Arrangement in accordance with the terms hereof or otherwise relating to the Arrangement or (D) that would reasonably be expected to have a Material Adverse Effect;
- (f) since the date hereof, there shall not have occurred a Material Adverse Effect or any event or occurrence that would reasonably be expected to have a Material Adverse Effect;
- (g) each of the Locked-Up Directors and Officers shall have provided their written resignation as a director or officer of the Company (or both) effective on or before the Effective Date together with a mutual release (in form satisfactory to the Purchaser acting reasonably) in favour of the Company, which resignations and mutual releases shall not

disentitle such Locked-Up Directors and Officers from any 'change of control' payments that may be owing to them pursuant to the terms of their employment with the Company;

- (h) since the date hereof, there shall not have occurred or come into existence any material adverse claims, impairments, rights, interests, limitations or other restrictions of any kind whatsoever in respect of any of the Company's properties or assets, including any of the Retained Projects, which has not been disclosed to the Purchaser prior to the date hereof in writing;
- (i) the Company and Newco shall have executed and delivered the Transfer Agreement, and any ancillary agreements contemplated thereby in a form satisfactory to the Purchaser;
- (j) the Company shall have incorporated PartnerCo and created Frontier Partnership and executed and delivered the Frontier Partnership Contribution Agreement and any ancillary agreements, all as contemplated by Section 5.2 hereof, the whole in a form satisfactory to the Purchaser;
- (k) the aggregate number of Common Shares held, directly or indirectly, by the Company Shareholders who have properly exercised Dissent Rights in connection with the Arrangement shall not exceed 5% of the outstanding Common Shares;
- (l) the due execution and delivery to the Purchaser, concurrently with execution of this Agreement, of the Lock-up Agreements from all of the Locked-Up Directors and Officers and each of the Major Shareholders; and
- (m) the Company shall have as of the Effective Time an amount of Transferred Working Capital that is no less than \$1.00.

### **Section 6.3 Additional Conditions Precedent to the Obligations of the Company**

The obligations of the Company to complete the transactions contemplated by this Agreement shall also be subject to the following conditions precedent (each of which is for the exclusive benefit of the Company and may be waived in whole or in part by the Company):

- (a) all covenants of the Parent and the Purchaser under this Agreement to be performed on or before the Effective Time shall have been duly performed by the Parent and the Purchaser in all material respects, and the Company shall have received a certificate of the Parent and the Purchaser, addressed to the Company and dated the Effective Time, signed on behalf of the Parent and the Purchaser, by two of its senior executive officers (on such Party's behalf and without personal liability), confirming the same as of the Effective Time;
- (b) the representations and warranties of the Parent and the Purchaser set forth in this Agreement shall be true and correct (for representations and warranties qualified as to materiality, true and correct in all respects, and for all other representations and warranties, true and correct in all material respects) as of the Effective Time, as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), and the Company shall have received a certificate of the Parent and the Purchaser, addressed to the Company and dated the Effective Time, signed on behalf of the Parent and the Purchaser, by two senior executive officers of such Party (on such Party's behalf and without personal liability), confirming the above as of the Effective Time; and
- (c) the shares to be issued by Newco pursuant to the Arrangement shall have been accepted or approved for listing on an Exchange, whether or not on conditions, on or prior to the Effective Date.

## **ARTICLE 7 ADDITIONAL AGREEMENTS**

### **Section 7.1 Notice and Cure Provisions**

- (1) Each Party will give prompt notice to the other of the occurrence, or failure to occur, at any time from the date hereof until the earlier to occur of the termination of this Agreement and the Effective Time of any event or state of facts which occurrence or failure would, or would be likely to:
  - (a) cause any of the representations or warranties of a Party contained herein to be untrue or inaccurate in any material respect on the date hereof or at the Effective Time; or
  - (b) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by a Party hereunder prior to the Effective Time.
- (2) The Purchaser may not exercise its right to terminate this Agreement pursuant to Section 8.2(3)(b) and the Company may not exercise its right to terminate this Agreement pursuant to Section 8.2(4)(a) unless the Party seeking to terminate the Agreement shall have delivered a written notice to the other Party specifying in reasonable detail all breaches of covenants, representations and warranties or other matters that the Party delivering such notice is asserting as the basis for the

termination right. If any such notice is delivered, provided that a Party is proceeding diligently to cure such matter and such matter is capable of being cured (except matters arising out of the failure to make appropriate disclosure in the written disclosure to the Purchaser), no Party may exercise such termination right, until the earlier of (i) the Outside Date, and (ii) the date that is 10 business days following receipt of such notice by the Party to whom the notice was delivered, if such matter has not been cured by such date. If such notice has been delivered prior to the date of the Company Meeting, such meeting shall, unless the Parties agree otherwise, be postponed or adjourned until the expiry of such period (without causing any breach of any other provision contained herein).

- (3) Each Party shall promptly notify the other Party of:
- (a) any communication received by it from any person alleging that the consent of such person (or another person) is or may be required in connection with the transactions contemplated by this Agreement (and the response thereto from such Party, its subsidiaries or its representatives);
  - (b) any material communication received by it from any Governmental Entity in connection with the transactions contemplated by this Agreement (and the response thereto from such Party, its subsidiaries or its representatives); and
  - (c) any Legal Actions threatened or commenced against or otherwise affecting such Party or any of its subsidiaries that are related to the transactions contemplated by the Agreement.

#### **Section 7.2 Non-Solicitation**

- (1) Except as expressly provided in this Section 7.2, the Company shall not, directly or indirectly, through any officer, director, Company Employee, representative (including any financial or other advisor) or agent of the Company or any of its subsidiaries:
- (a) knowingly solicit, assist, initiate, facilitate or encourage (including by way of furnishing information or permitting any visit to any facilities or entering into any Contract) the initiation of any inquiries, proposals or offers regarding an Acquisition Proposal;
  - (b) participate in any discussions or negotiations with any person regarding an Acquisition Proposal;
  - (c) withdraw, amend, modify or qualify, or propose publicly to withdraw, amend, modify or qualify, in a manner adverse to the Purchaser, the approval or recommendation of the Board or any committee thereof of this Agreement or the Arrangement;
  - (d) accept, approve, endorse or recommend or remain neutral with respect to, or propose publicly to approve, endorse or recommend or remain neutral with respect to, any Acquisition Proposal; or
  - (e) accept or enter into, or publicly propose to enter into, any Contract in respect of an Acquisition Proposal (other than a confidentiality agreement permitted by Section 7.2(2)).
- (2) Notwithstanding Section 7.2(1) and any other provision of this Agreement, the Board shall be permitted to participate in any discussions or negotiations with, or furnish information to, any person in response to an Acquisition Proposal by such person if and only to the extent that:
- (a) the Company has received an unsolicited bona fide written Acquisition Proposal from such person and such Acquisition Proposal would, if completed in accordance with its terms, constitute a Superior Proposal, provided that:
    - (i) the Arrangement Resolution has not been approved by the Company Shareholders by the Required Vote;
    - (ii) the Company has complied with all other requirements of this Section 7.2 in all respects;
    - (iii) the Board, after consultation with its financial advisors and outside legal counsel, determines in good faith that failure to take such action would be inconsistent with its fiduciary duties under all applicable Laws; and
    - (iv) prior to providing any information or data to such person in connection with such Acquisition Proposal, the Board receives from such person an executed confidentiality and standstill agreement in a form substantially similar to the form of confidentiality and standstill agreement entered into between the Parent and the Company, and the Company sends a copy of any such confidentiality and standstill agreement to the Purchaser prior to its execution and the Purchaser is provided promptly with a list of, or in the case of information that was not previously made available to the Purchaser, copies of, any information provided to such person; or



- (b) the Acquisition Proposal relates solely to and is limited to, the sale of the shares of Newco or the sale by Newco of all or any portion of the Spin-Off Assets, which sale in either case would not be completed until after the Effective Date and would be made in compliance with and subject to the requirements of Section 5.4 of this Agreement;
- (3) The Company shall, and shall cause the officers, directors, Company Employees, representatives and agents of the Company and its subsidiaries to, immediately terminate any existing solicitations, discussions or negotiations with any person (other than the Purchaser and its affiliates) that has made, indicated any interest to make or may reasonably be expected to make, an Acquisition Proposal. The Company shall advise its and its subsidiaries' officers, directors, Company Employees, representatives (including any financial or other advisor) and agents of the prohibitions set forth in this Section 7.2.
- (4) The Company agrees not to release any third party from any standstill agreement or similar agreement to which it is a party unless such party has made an Acquisition Proposal and such Acquisition Proposal constitutes a Superior Proposal. The Company shall promptly request the return or destruction of all information provided to any third party that, at any time since September 30, 2010, has entered into a confidentiality agreement with the Company relating to a potential Acquisition Proposal to the extent that such information has not previously been returned or destroyed, and shall use all commercially reasonable efforts to ensure that such requests are honoured in accordance with the terms of such agreement.
- (5) The Company shall promptly (and in any event within 24 hours of receipt by the Company) notify the Purchaser, at first orally and thereafter in writing, of any proposal, inquiry, offer (or any amendment thereto) or request relating to or constituting an Acquisition Proposal, in each case received after the date hereof, of which any of its directors, officers, Company Employees, representatives or agents are or become aware, or any amendments to the foregoing, any request for discussions or negotiations, or any request for non-public information relating to the Company or any of its subsidiaries in connection with an Acquisition Proposal or for access to the properties, books or records of the Company or any of its subsidiaries by any person that informs the Company or such subsidiary that it is considering making, or has made, an Acquisition Proposal and any amendment thereto; and if in writing or electronic form the Company shall provide a copy thereof to the Purchaser, and if not in writing or electronic form, a description of the material terms and conditions of any such Acquisition Proposal or proposal, inquiry, offer or request and shall provide the identity of the person making any such Acquisition Proposal or proposal, inquiry, offer or request and such other details as the Purchaser may reasonably request. The Company shall keep the Purchaser fully informed of the status of and any change to the material terms of any such Acquisition Proposal or proposal, inquiry, offer or request, and shall provide to the Purchaser copies of all correspondence if in writing or electronic form, and if not in writing or electronic form, a description of the material terms of such correspondence sent to the Company by or on behalf of any person making any such Acquisition Proposal. The Company agrees that it will promptly terminate and discontinue all discussions or negotiations with any person in respect to an Acquisition Proposal referred to in Section 7.2(2)(b) if the Purchaser advises the Company that it will not consent to such Acquisition Proposal pursuant to Section 5.4 of this Agreement because of one or more reasons permitted in such Section 5.4.
- (6) The Company shall not accept, approve or recommend, nor enter into any agreement (other than a confidentiality agreement permitted by this Section 7.2) relating to an Acquisition Proposal, other than an Acquisition Proposal referred to in Section 7.2(2)(b), unless:
  - (a) it has received a bona fide written unsolicited Acquisition Proposal that constitutes a Superior Proposal;
  - (b) the Arrangement Resolution has not been approved by the Company Shareholders by the Required Vote;
  - (c) the Company has complied with Section 7.2(1) through Section 7.2(7), inclusive;
  - (d) the Company has provided the Purchaser with (A) notice in writing that there is a Superior Proposal, and (B) all documentation related to and detailing the Superior Proposal, in each case at least five business days prior to the date on which the Board proposes to accept, approve, recommend or enter into any agreement relating to such Superior Proposal, together with a written notice from the Board regarding the value and financial terms that the Board, in consultation with its financial advisors and outside legal counsel, has determined should be ascribed to any non-cash consideration offered under such Acquisition Proposal;
  - (e) five business days shall have elapsed from the later of the date the Purchaser received the notice and documentation referred to in Section 7.2(6)(d) from the Company in respect of the Acquisition Proposal and the date the Purchaser received notice of the Company's proposed determination to accept, approve, recommend or to enter into any agreement relating to such Superior Proposal and, if the Purchaser has proposed to amend the terms of the transactions contemplated in this Agreement and the Arrangement in accordance with Section 7.2(7), the Board (after receiving advice from the financial advisors and outside legal counsel) shall have determined in good faith that the Acquisition Proposal is a Superior Proposal compared to the proposed amendment to the terms of this Agreement and the Arrangement proposed by the Purchaser;
  - (f) the Company concurrently terminates this Agreement pursuant to Section 8.2(4)(b); and

- (g) the Company has previously, or concurrently will have, paid to the Purchaser the Termination Fee and repaid all amounts (including all accrued interest) owing under the Loan.
- (7) During the periods referred to in Section 7.2(6)(d) and Section 7.2(6)(e) or such longer period as the Company may approve for such purpose (the “**Right to Match Period**”), the Purchaser shall have the opportunity, but not the obligation, to propose to amend the terms of the transactions contemplated in this Agreement and the Arrangement and the Company shall co-operate with the Purchaser with respect thereto, including negotiating in good faith with the Purchaser to enable the Purchaser to make such adjustments to the terms and conditions of this Agreement and the Arrangement as the Purchaser deems appropriate and as would enable the Purchaser to proceed with the Arrangement and the transactions contemplated in this Agreement on such adjusted terms. The Board shall review any proposal by the Purchaser to amend the terms of the transactions contemplated in this Agreement and the Arrangement in order to determine, in good faith in the exercise of its fiduciary duties, whether the Purchaser’s proposal to amend the transactions contemplated by this Agreement and the Arrangement would result in the Acquisition Proposal not being a Superior Proposal compared to the proposed amendment to the transactions contemplated by this Agreement and the Arrangement.
- (8) The Board shall promptly reaffirm its recommendation of the Arrangement by press release after any Acquisition Proposal is publicly announced or made and (A) the Board determines that the Acquisition Proposal is not a Superior Proposal; or (B) the Board determines that a proposed amendment to the terms of the Arrangement would result in the Acquisition Proposal not being a Superior Proposal, and the Purchaser has so amended the terms of the Arrangement. The Purchaser and its counsel and other advisors shall be given a reasonable opportunity to review and comment on the form and content of any such press release. Such press release shall state that the Board has determined that the Acquisition Proposal is not a Superior Proposal.
- (9) Each successive modification of any Acquisition Proposal shall constitute a new Acquisition Proposal for purposes of this Section 7.2.
- (10) Nothing contained in this Agreement shall limit in any way the obligation of the Company to convene and hold the Company Meeting in accordance with Section 2.2 and Section 5.6 of this Agreement unless this Agreement is terminated in accordance with Article 8.

### **Section 7.3 Agreement as to Damages**

- (1) Notwithstanding any other provision relating to the payment of fees or expenses, including the payment of brokerage fees, the Company shall pay, or cause to be paid, to the Purchaser by wire transfer of immediately available funds an amount equal to \$20 million (the “**Termination Fee**”) if:
  - (a) the Purchaser shall have terminated this Agreement pursuant to Section 8.2(3)(a), Section 8.2(3)(c), Section 8.2(3)(d) or Section 8.2(3)(g), in which case payment shall be made within two business days of such termination; or
  - (b) (A) after the date hereof, a bona fide Acquisition Proposal shall have been made or proposed to the Company or otherwise or publicly announced, or a person shall have publicly announced an intention to do so (which has not been withdrawn at least five business days prior to the date of the Company Meeting), and (B) the Required Vote is not obtained at the Company Meeting (or any adjournment or postponement thereof) and (C) within 365 days after the date of the termination of the Agreement either (1) the Company or any of its subsidiaries enters into a Contract providing for the implementation of an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in clause (A) above and whether or not such Acquisition Proposal is completed), in which case payment shall be made prior to or concurrently with the Company entering into such Acquisition Proposal, or (2) an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in clause (A) above) is consummated, in which case payment shall be made on the date on which such Acquisition Proposal is consummated; or
  - (c) the Purchaser shall have terminated this Agreement pursuant to Section 8.2(2)(a) or Section 8.2(3)(b) and:
    - (i) the reason that the Effective Time did not occur prior to the Outside Date (in the case of termination pursuant to Section 8.2(2)(a)) was the failure of the Company to fulfill its obligations under this Agreement when required to do so; or
    - (ii) the breach that gave rise to the Purchaser’s right to terminate (in the case of termination pursuant to Section 8.2(3)(b)) was wilful,in which case payment shall be made within two business days of such termination; or
  - (d) the Company shall have terminated this Agreement pursuant to Section 8.2(4)(b), in which case payment shall be paid to the Purchaser in accordance with Section 7.2(6).

#### **Section 7.4 Expense Reimbursement**

- (1) The Company shall pay, or cause to be paid, to the Purchaser by wire transfer of immediately available funds, the reasonable documented expenses of the Purchaser and its affiliates incurred in connection with the transactions contemplated hereby (to a maximum of \$1.5 million), including but not limited to, financial advisor fees, regulatory filing fees, fees of outside legal counsel and all other general fees, costs and expenses incurred by the Parent and the Purchaser in connection the Transaction, if:
  - (a) this Agreement shall have been terminated by the Purchaser or the Company pursuant to Section 8.2(2)(b); or
  - (b) this Agreement shall have been terminated by the Purchaser pursuant to Section 8.2(3)(b),such payment to be made within two business days of any such termination.
- (2) No expense reimbursement shall be payable if the Company has paid a Termination Fee.

#### **Section 7.5 Fees and Expenses**

Except as provided in Section 7.3, each Party shall pay all fees, costs and expenses incurred by such Party in connection with this Agreement and the Transaction. The Purchaser and the Company shall each pay one-half of the filing fees required to obtain Regulatory Approvals, including any applicable Taxes.

#### **Section 7.6 Liquidated Damages, Injunctive Relief and No Liability of Others**

The Parties acknowledge that the payment of the Termination Fee set out in Section 7.3(1) is the payment of liquidated damages that are a genuine pre-estimate of the damages the Purchaser will suffer or incur as a result of the event giving rise to such payment and the resultant termination of this Agreement and is not a penalty. The Company irrevocably waives any right it may have to raise as a defense that any such liquidated damages are excessive or punitive. For greater certainty, the Parties agree that the right to receive payment of the amount determined pursuant to Section 7.3(1) in the manner provided therein is the sole monetary remedy of the Purchaser in respect of the event giving rise to such payment, other than the right to injunctive relief in accordance with Section 9.3 hereof to restrain any breach or threatened breach of the covenants or agreements set forth in this Agreement or otherwise to obtain specific performance of any of such acts, covenants or agreements, without the necessity of posting a bond or security in connection therewith. There shall be no liability of any shareholder, director, officer, employee, advisor or representative of the Company or any of its affiliates, whether to the Company or any other person (including any shareholder, director, officer, employee, advisor or representative thereof) in connection with any liability or other obligation of the Company, or any of its affiliates, whether hereunder or otherwise in connection with the transactions contemplated hereby.

#### **Section 7.7 Access to Information; Confidentiality**

From the date hereof until the earlier of the Effective Time and the termination of this Agreement, subject to compliance with applicable Law and the terms of any existing Contracts, the Company shall, and shall cause its subsidiaries and their respective officers, directors, Company Employees, independent auditors, advisers and agents to, afford to the Purchaser and to its officers, employees, agents and representatives such access as the Purchaser may reasonably require at all reasonable times, including for the purpose of facilitating integration business planning, to their officers, employees, agents, properties, books, records and Contracts, and shall make available to the Purchaser all data and information as the Purchaser may reasonably request.

#### **Section 7.8 Insurance and Indemnification**

- (1) The Purchaser will, or will cause the Company and its subsidiaries to, maintain in effect without any reduction in amount or scope for six years from the Effective Time customary policies of directors' and officers' liability insurance providing protection comparable to the protection provided by the policies maintained by the Company and its subsidiaries that are in effect immediately prior to the Effective Time and providing protection in respect of claims arising from facts or events that occurred on or prior to the Effective Time; provided, however, that the Purchaser and the Company will not be required, in order to maintain such directors' and officers' liability insurance policy, to pay an annual premium in excess of 200% of the cost of the existing policies; and provided further that, if equivalent coverage cannot be obtained or can only be obtained by paying an annual premium in excess of 200% of such amount, the Purchaser and the Company shall only be required to obtain as much coverage as can be obtained by paying an annual premium equal to 200% of such amount. Furthermore, prior to the Effective Time, the Company may, in the alternative, with the consent of the Purchaser, purchase run off directors' and officers' liability insurance for a period of up to six years from the Effective Time provided that the premiums will not exceed 200% of the premiums currently charged to the Company for directors' and officers' liability insurance, and in such event none of the Purchaser, the Company or any of its subsidiaries will have any further obligation under this Section 7.8(1).
- (2) The Purchaser agrees that it shall directly honour all rights to indemnification or exculpation now existing in favour of present and former officers and directors of the Company and its subsidiaries, except to the extent that such rights are in respect of the Spin-Off Assets. All rights to indemnification or exculpation shall survive the completion of the Arrangement and the provisions of this Section 7.8 shall be binding, jointly and severally, on all successors of the Purchaser.

- (3) The provisions of this Section 7.8 are intended for the benefit of, and shall be enforceable by, each insured or indemnified person, his or her heirs and his or her legal representatives and, for such purpose, the Company hereby confirms that it is acting as agent and trustee on their behalf.

**Section 7.9 De-Listing of Common Shares**

Subject to applicable Laws, the Purchaser and the Company shall use their commercially reasonable efforts to cause the Common Shares to be de-listed from the Exchange promptly, with effect immediately following the completion of the Plan of Arrangement.

**Section 7.10 Take-over Statutes**

If any take-over statute is or becomes applicable to this Agreement, the Arrangement or the other transactions contemplated by this Agreement, each of the Purchaser and the Company and their respective boards of directors shall:

- (a) take all necessary action to ensure that such transactions may be consummated as promptly as practicable upon the terms and subject to the conditions set forth in this Agreement; and
- (b) otherwise act to eliminate or minimize the effects of such take-over statute.

**Section 7.11 Tax Matters**

During the period from the date of this Agreement to the Effective Time, the Company and its subsidiaries shall:

- (a) prepare and timely file all Returns required to be filed by them on or before the Effective Time ("**Post-Signing Returns**") in a manner consistent, in all material respects, with past practice, except as otherwise required by applicable Laws;
- (b) fully and timely pay all Taxes due and payable in respect of such Post-Signing Returns that are so filed; and
- (c) properly reserve (and reflect such reserve in their books and records and financial statements) for all Taxes payable by them for which no Post-Signing Return is due prior to the Effective Time in a manner consistent with past practice.

**Section 7.12 Resignations**

The Company shall obtain and deliver to the Purchaser at the Effective Time evidence reasonably satisfactory to the Purchaser of the resignations effective as of the Effective Time, of all of the directors and officers of the Company requested by the Purchaser, which resignations shall not disentitle such directors and officers from any 'change of control' payments that may be owing to them pursuant to the terms of their employment with the Company.

**ARTICLE 8  
TERM, TERMINATION, AMENDMENT AND WAIVER**

**Section 8.1 Term**

This Agreement shall be effective from the date hereof until the earlier of the Effective Time and the termination of this Agreement in accordance with its terms.

**Section 8.2 Termination**

- (1) **Termination By Mutual Consent.** This Agreement may be terminated at any time prior to the Effective Time by mutual written consent of the Purchaser and the Company.
- (2) **Termination By Either the Purchaser or the Company.** This Agreement may be terminated by the Purchaser or the Company at any time prior to the Effective Time:
  - (a) if the Effective Time has not occurred on or prior to the Outside Date, except that the right to terminate this Agreement under this clause (a) shall not be available to any Party to this Agreement whose failure to fulfill any of its obligations has been the cause of, or resulted in, the failure of the Effective Time to occur by such date;
  - (b) if the Required Vote is not obtained at the Company Meeting (or any adjournment or postponement thereof); or
  - (c) if any Law is enacted or made after the date hereof that makes the consummation of the Arrangement or the transactions contemplated by this Agreement illegal or otherwise prohibited, and such Law has become final and nonappealable.
- (3) **Termination By the Purchaser.** This Agreement may be terminated by the Purchaser at any time prior to the Effective Time:
  - (a) if:

- (i) the Board shall have failed to publicly recommend this Agreement or the Arrangement,
  - (ii) the Board or any committee thereof shall have withdrawn or qualified, amended or modified in a manner adverse to the Purchaser, its approval or recommendation of the Arrangement,
  - (iii) the Company or the Board or any committee thereof publicly announces its intention to do, or that it has done, any of the foregoing, or
  - (iv) the Board or any committee thereof fails to publicly reaffirm its recommendation of this Agreement and the Arrangement after the announcement or commencement of any Acquisition Proposal or within three business days after having been requested to do so by the Purchaser;
- (b) subject to Section 7.1, if the Purchaser is not in material breach of its obligations under this Agreement and the Company breaches any of its representations, warranties, covenants or agreements contained in this Agreement, which breaches would, individually or in the aggregate, give rise to the failure of a condition set forth in Section 6.1 or Section 6.2;
- (c) if the Company breaches its covenants or agreements in Section 2.2 or Section 5.3;
- (d) if the Company breaches its covenants or agreements in Section 7.2;
- (e) if there has occurred a Material Adverse Effect;
- (f) if:
- (i) any court of competent jurisdiction or other Governmental Entity shall have issued an order, decree or ruling enjoining or otherwise prohibiting any of the transactions contemplated in this Agreement (unless such order, decree or ruling has been withdrawn, reversed or otherwise made inapplicable); or
  - (ii) any litigation or other proceeding is pending or has been threatened to be instituted by any person or Governmental Entity, which, in the good faith judgment of the Purchaser, could reasonably be expected to result in a decision, order, decree or ruling which enjoins, prohibits, grants damages in a material amount in respect of, or materially impairs the benefits of, any of the transactions contemplated in this Agreement; or
- (g) if the Company Meeting is cancelled, adjourned or postponed except as agreed to by the Purchaser in writing.
- (4) **Termination By the Company.** This Agreement may be terminated by the Company at any time prior to the Effective Time:
- (a) subject to Section 7.1, if the Company is not in material breach of its obligations under this Agreement and the Purchaser breaches any of its representations, warranties, covenants or agreements contained in this Agreement, which breaches would, individually or in the aggregate, give rise to the failure of a condition set forth in Section 6.1 or Section 6.3;
  - (b) if, prior to approval of the Arrangement Resolution by the Company Shareholders by the Required Vote, the Company enters into a definitive agreement with respect to a Superior Proposal in compliance with the provisions of Section 7.2(6), provided that the Company has previously or concurrently will have paid to the Purchaser the Termination Fee and further provided that the Company has not breached in a material respect any of its covenants, obligations or agreements in this Agreement.
- (5) **Effect of Termination.** If this Agreement is terminated in accordance with the foregoing provisions of this Section, this Agreement shall forthwith become void and of no further force or effect and no Party shall have any further obligations or liability hereunder except as provided in Sections 7.3, 7.4, 7.5, 7.6, 9.1, 9.2, 9.5, 9.6, 9.7 and 9.8 and this Section 8.2(5) and as otherwise expressly contemplated hereby.

### **Section 8.3 Amendment**

This Agreement and the Plan of Arrangement may, at any time and from time to time before or after the holding of the Company Meeting but not later than the Effective Time, be amended by mutual written agreement of the Parties, and any such amendment may, subject to the Interim Order and Final Order and applicable Laws, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; and/or
- (d) waive compliance with or modify any conditions precedent herein contained.

**Section 8.4 Waiver**

Any Party may:

- (a) extend the time for the performance of any of the obligations or acts of the other Party;
- (b) waive compliance with any of the other Party's agreements or the fulfillment of any conditions to its own obligations contained herein; or
- (c) waive inaccuracies in any of the other Party's representations or warranties contained herein or in any document delivered by the other Party;

provided, however, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party and, unless otherwise provided in the written waiver, will be limited to the specific breach or condition waived.

**ARTICLE 9  
GENERAL PROVISIONS**

**Section 9.1 Notices**

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or sent if delivered personally or sent by facsimile or e-mail transmission, or as of the following business day if sent by prepaid overnight courier, to the Parties at the following addresses (or at such other addresses as shall be specified by a Party by notice to the others given in accordance with these provisions):

- (a) If to the Parent or the Purchaser:  
  
c/o Teck Resources Limited  
Suite 3300, 550 Burrard Street  
Vancouver, BC, V6C 0B3  
  
Attention: Corporate Secretary  
Facsimile: 604-699-4729  
E-mail: karen.dunfee@teck.com

with a copy to (which shall not constitute notice):

Stikeman Elliott LLP  
5300 Commerce Court West  
199 Bay Street  
Toronto, ON, M5L 1B9  
  
Attention: Sean Vanderpol  
Facsimile: 416-947-0866  
E-Mail: svanderpol@stikeman.com

- (b) if to the Company:  
  
SilverBirch Energy Corporation  
1500, 202 6th Avenue S.W.  
Calgary, AB, T2P 2R9  
  
Attention: Howard J. Lutley, President & CEO  
Facsimile: 403-538-7033  
E-mail: hlutley@silverbirchenergy.com

with a copy to (which shall not constitute notice):

Blake, Cassels & Graydon LLP  
855 - 2nd Street S.W.  
Suite 3500, Bankers Hall East Tower  
Calgary, AB, T2P 4J8  
  
Attention: Pat Finnerty  
Facsimile: 403-260-9700  
E-mail: pcf@blakes.com

**Section 9.2 Governing Law; Waiver of Jury Trial**

This Agreement shall be governed, including as to validity, interpretation and effect, by the laws of the Province of Alberta and the laws of Canada applicable therein, and shall be construed and treated in all respects as an Alberta contract. Each of the Parties hereby irrevocably attorns to the non-exclusive jurisdiction of the Courts of the Province of Alberta in respect of all matters arising under and in relation to this Agreement and the Arrangement. EACH PARTY TO THIS AGREEMENT HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THE ACTIONS OF THE PARTIES IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT.

**Section 9.3 Injunctive Relief**

The Parties agree that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to equitable remedies, including specific performance, a restraining order and interlocutory, preliminary and permanent injunctive relief and other equitable relief to prevent breaches of this Agreement, any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief hereby being waived. Such remedies will not be the exclusive remedies for any breach of this Agreement but will be in addition to all other remedies available at law or equity to each of the Parties.

**Section 9.4 Time of Essence**

Time shall be of the essence in this Agreement.

**Section 9.5 Entire Agreement, Binding Effect and Assignment**

- (1) The Purchaser may assign all or any part of its rights under this Agreement to, and its obligations under this Agreement may be assumed by, any of its subsidiaries or affiliates, provided that if such assignment and/or assumption takes place, the Purchaser shall continue to be liable jointly and severally with such subsidiary or affiliate, as the case may be, for all of its obligations hereunder. This Agreement shall be binding on and shall enure to the benefit of the Parties and their respective successors and permitted assigns.
- (2) This Agreement (including the exhibits and schedules hereto) and the written disclosure to the Purchaser made hereunder, constitute the entire agreement, and supersede all other prior agreements and understandings, both written and oral, between the Parties with respect to the subject matter hereof and thereof. Except as expressly permitted by the terms hereof, neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by either of the Parties without the prior written consent of the other Party.

**Section 9.6 Severability**

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule or Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

**Section 9.7 No Third Party Beneficiaries**

Except as provided in Section 7.8, and except for the rights of the Company Shareholders to receive the consideration for their Common Shares following the Effective Time pursuant to the Arrangement, which rights are hereby acknowledged and agreed by the Purchaser, this Agreement is not intended to confer any rights or remedies upon any person other than the Parties to this Agreement. The Purchaser appoints the Company as the trustee for the directors and officers of the Company and its subsidiaries of the covenants of the Purchaser with respect to those individuals as specified in Section 7.8 of this Agreement and the Company accepts such appointment.

**Section 9.8 Rules of Construction**

The Parties to this Agreement have been represented by counsel during the negotiation and execution of this Agreement and waive the application of any Laws or rule of construction providing that ambiguities in any agreement or other document shall be construed against the party drafting such agreement or other document.

**Section 9.9 Counterparts, Execution**

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. The Parties shall be entitled to rely upon delivery of an executed facsimile

or similar executed electronic copy of this Agreement, and such facsimile or similar executed electronic copy shall be legally effective to create a valid and binding agreement between the Parties.

*(Remainder of page intentionally left blank. Signature page follows.)*



IN WITNESS WHEREOF the Parent, Purchaser and the Company have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

**TECK RESOURCES LIMITED**

By: *"R.A. Milos"*

\_\_\_\_\_  
Name: R. A. Milos

Title: Senior Vice President, Finance & Chief  
Financial Officer

**8071667 CANADA INC.**

By: *"R.A. Milos"*

\_\_\_\_\_  
Name: R. A. Milos

Title: Senior Vice President, Finance & Chief  
Financial Officer

**SILVERBIRCH ENERGY CORPORATION**

By: *"Howard J. Lutley"*

\_\_\_\_\_  
Name: Howard J. Lutley

Title: President & Chief Executive Officer

By: *"Wayne I. Bobye"*

\_\_\_\_\_  
Name: Wayne I. Bobye

Title: Vice President & Chief Financial Officer

**Schedule A**  
**Plan of Arrangement**

Please see Appendix D to the Information Circular.

**Schedule B**  
**Resolution of the Company Shareholders**

**BE IT RESOLVED THAT:**

1. The arrangement (the “**Arrangement**”) under Section 192 of the *Canada Business Corporations Act* (the “**CBCA**”) of SilverBirch Energy Corporation (the “**Company**”), as more particularly described and set forth in the Information Circular of the Company dated ● (the “**Circular**”) accompanying the notice of this meeting (as the Arrangement may be modified or amended), is hereby authorized, approved and adopted.
2. The plan of arrangement, as it may be or have been amended, (the “**Plan of Arrangement**”) involving the Company, the full text of which is set out in Schedule A to the Arrangement Agreement dated as of January 8, 2012 between Teck Resources Limited, 8071667 Canada Inc. and the Company (the “**Arrangement Agreement**”), is hereby authorized, approved and adopted.
3. The Arrangement Agreement, the actions of the directors of the Company in approving the Arrangement and the actions of the officers of the Company in executing and delivering the Arrangement Agreement and any amendments thereto are hereby ratified and approved.
4. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the shareholders of the Company or that the Arrangement has been approved by the Court, the directors of the Company are hereby authorized and empowered, at their discretion, without further notice to or approval of the shareholders of the Company (i) to amend the Arrangement Agreement, or the Plan of Arrangement to the extent permitted by the Arrangement Agreement, and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.
5. Any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to make application to the Court for an order approving the Arrangement and to deliver to the Director a certified copy of the Final Order (as defined in the Arrangement Agreement) and to execute and, if appropriate, deliver such other documents as are necessary or desirable to the Director for registration pursuant to the CBCA in accordance with the Arrangement Agreement.
6. Any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to execute or cause to be executed and to deliver or caused to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person’s opinion may be necessary or desirable to give full effect of the foregoing resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

**Schedule C  
Regulatory Approvals**

**Part A – Canada**

- Competition Act Approval.

**Schedule D**  
**Form of Transfer Agreement**

Please see attached.

**SILVERBIRCH ENERGY CORPORATION**

as Vendor

and

**FRONTIER ENERGY PARTNERSHIP**

as Partnership

and

**SILVERWILLOW ENERGY CORPORATION**

as Purchaser

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**TRANSFER AGREEMENT**

[●], 2012

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#### ADDENDA

Schedule "A-1" Spin-Off Lands and Leases
Schedule "A-2" Retained Lands and Leases
Schedule "B" Calculation of Transferred Working Capital
Schedule "C" Form of Resolution



## TRANSFER AGREEMENT

THIS AGREEMENT is made as of the [●] day of [●], [●].

AMONG:

**SILVERBIRCH ENERGY CORPORATION**, a Canadian corporation ("**Vendor**")

- and -

**FRONTIER ENERGY PARTNERSHIP**, an Alberta general partnership ("**Partnership**")

- and -

**SILVERWILLOW ENERGY CORPORATION**, a Canadian corporation ("**Purchaser**")

WHEREAS:

- A. 8071667 Canada Inc. (the "**Acquiror**"), a direct wholly-owned subsidiary of Teck Resources Limited (the "**Acquiror Parent**") will acquire all of the issued and outstanding common shares of Vendor pursuant to a plan of arrangement under Section 192 of the *Canada Business Corporations Act* (the "**Arrangement**").
- B. In connection with the Arrangement, Vendor wishes to retain the Retained Assets (as hereinafter defined) and sell the Spin-Off Assets (as hereinafter defined) and assign the Assumed Liabilities (as hereinafter defined) to Purchaser, and Purchaser wishes to purchase the Spin-Off Assets and assume the Assumed Liabilities, on the terms and conditions contained in this Agreement.

NOW THEREFORE, the Parties agree as follows:

### ARTICLE 1 INTERPRETATION

#### Section 1.1 Defined Terms

As used in this Agreement, the following terms shall have the respective meanings set out below and grammatical variations of those terms shall have corresponding meanings:

"**Affiliate**" has the meaning ascribed thereto in the Securities Act;

"**Agreement**" means this Transfer Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof;

"**Arrangement**" has the meaning ascribed thereto in the recitals of this Agreement;

"**Arrangement Agreement**" means the Arrangement Agreement dated January 8, 2012 among Acquiror, Acquiror Parent and Vendor with respect to the Arrangement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof;

"**Assumed Liabilities**" has the meaning given to it in Section 2.2;

"**business day**" means any day, other than a Saturday, a Sunday and a statutory holiday in Calgary, Alberta or Vancouver, British Columbia;

"**Claim**" means any claim, action, cause of action, demand, lawsuit, proceeding, arbitration or governmental investigation, in each case, whether asserted, threatened, pending or existing;

"**Closing Date**" has the meaning set forth in the Arrangement Agreement;

"**Common Share Number**" means a number equal to:

(A) the total number of the common shares of Vendor held by Acquiror Parent thirty minutes following the Effective Time, minus

(B) the number of common shares of Purchaser outstanding immediately prior to the Effective Time;

"**Consideration**" has the meaning set forth in Section 2.4;

"**Effective Date**" has the meaning ascribed thereto in the Plan of Arrangement;

"**Effective Time**" has the meaning ascribed thereto in the Plan of Arrangement;

"**Environment**" means the natural environment (including soil, land surface or subsurface strata), surface waters, groundwater, sediment, ambient air (including all layers of the atmosphere), organic and inorganic matter and living organisms, and any other environmental medium or natural resource and all sewer systems;

**“Environmental Claim”** means any actual or potential Claim made, asserted or threatened by a person alleging a breach of Environmental Law or other Environmental and Reclamation Liability;

**“Environmental Law”** means all applicable Laws relating to public health and safety, noise control, pollution or the protection of the Environment or to the generation, production, installation, use, storage, treatment, transportation, Release or threatened Release of Hazardous Substances, including civil responsibility for acts or omissions with respect to the Environment, and all Permits issued pursuant to such applicable Laws;

**“Environmental and Reclamation Liabilities”** means, in relation to any assets, property or undertaking, any and all past, present and future Liabilities pertaining to such assets, property or undertaking or arising in connection with ownership of or operations attributable to such assets, property or undertaking in respect of the Environment, including:

- (a) Liabilities in respect of contamination, pollution or other damage to the Environment;
- (b) Liabilities in respect of compliance with Environmental Laws;
- (c) Liabilities in respect of damage caused by the presence, storage, holding, collection, accumulation, assessment, generation, manufacture, disposal, handling, transportation, use, construction, processing, treatment, stabilization, release, spill or emission of Petroleum Substances or any other substance, including corrosion or deterioration of structures or other property and death or injury to human beings, plants or animals;
- (d) Liabilities for the remediation, restoration or reclamation of the Environment including all obligations to abandon wells, to close, decommission, dismantle and remove tangibles (including fixtures) and remediate, restore and reclaim the surface lands thereof;
- (e) Liabilities arising by reason of the non-compliance with, violation of, alleged violation, or any obligation under Environmental Law;
- (f) Liabilities relating to the presence, storage, holding, collection, accumulation, assessment, generation, manufacture, handling, transportation, use, construction, processing, treatment, stabilization, release, spill or emission of toxic or Hazardous Substances; and
- (g) Liabilities for Losses suffered, sustained paid or incurred by third parties as a result of any of the matters described in the foregoing provisions of this definition;

**“Frontier Costs”** has the meaning ascribed thereto in the Arrangement Agreement;

**“GAAP”** means generally accepted accounting principles as set out in the Canadian Institute of Chartered Accountants Handbook – Accounting for an entity that prepares its financial statements in accordance with International Financial Reporting Standards, at the relevant time, applied on a consistent basis;

**“Governmental Entity”** means (a) any multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, ministry, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau or agency, domestic or foreign, (b) any subdivision, agent or authority of any of the foregoing, (c) any quasi-governmental or private body, including any tribunal, commission, regulatory agency or self-regulatory organization, exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, or (d) any stock exchange;

**“GST Legislation”** means Part IX of the *Excise Tax Act* (Canada);

**“Hazardous Substances”** means any element, waste or other substance whether natural or artificial and whether consisting of gas, liquid, solid or vapour that is prohibited, listed, defined, designated or classified as dangerous, hazardous, radioactive, explosive or toxic or a pollutant or a contaminant under or pursuant to any applicable Environmental Laws, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor and asbestos or asbestos-containing materials or any substance which is deemed under Environmental Laws to be deleterious to natural resources or worker or public health and safety;

**“Indemnitee”** has the meaning set forth in Section 7.5;

**“Indemnitor”** has the meaning set forth in Section 7.5;

**“Law”** or **“Laws”** means all laws (including common law), by-laws, statutes, rules, regulations, principles of law and equity, orders, rulings, ordinances, judgments, injunctions, determinations, awards, decrees or other requirements, whether domestic or foreign, and the terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity or self-regulatory authority (including the Exchange), and the term “applicable” with respect to such Laws (including Environmental Laws) and in a context that refers to one or more Parties, means such Laws as are applicable to such Party or

its business, undertaking, property or securities and emanate from a person having jurisdiction over the Party or Parties or its or their business, undertaking, property or securities;

**“Liabilities”** means any and all liabilities and obligations, bonds, indemnities and similar obligations, covenants, contracts, agreements, promises, omissions, guarantees, penalties, judgements of any kind or of any nature whatsoever whether under common law, in equity, under applicable Law or otherwise, whether tortious, contractual, vicarious, statutory or otherwise, whether absolute or contingent and whether based on fault, strict liability or otherwise;

**“Liens”** means any mortgage, hypothec, prior claim, lien, pledge, assignment for security, security interest, guarantee, third party right or other charge or encumbrance, or any collateral securing the payment obligations of any person, as well as any other agreement or arrangement with similar effect whatsoever;

**“Loan”** has the meaning ascribed thereto in the Arrangement Agreement;

**“Losses”** means, in respect of a person and in relation to a matter, any and all losses, costs, expenses, assessments, reassessments and damages (including all penalties and fines) which such person suffers, sustains, pays or incurs in connection with such matter and includes Taxes, interest, reasonable costs of legal counsel (on a full indemnity basis) and other consultants and reasonable costs of investigating and defending Claims arising from the matter, regardless of whether such Claims are sustained;

**“Miscellaneous Interests”** means all right, title, interest and estate of Vendor in and to all property, assets and rights, whether contingent or absolute, legal or beneficial, present or future, vested or not (other than the Oil Sands Rights or the Tangibles) associated with or used in connection with either the Oil Sands Rights or the Tangibles, but not the Retained Projects, including, without limitation, the following:

- (a) all contracts, agreements (whether written or oral), arrangements and documents (including the Title and Operating Documents) or any rights in relation thereto;
- (b) all rights that are, or were held, to enter upon, use or occupy the surface of any lands which are or were used, held for use or to be crossed in connection with, or to gain access to, the Oil Sands Rights and/or the Tangibles (but not the Retained Oil Sands Rights or the Retained Tangibles);
- (c) all Permits, licenses and authorizations relating to the Oil Sands Rights or the Tangibles (but not the Retained Oil Sands Rights or the Retained Tangibles), including the Road Segments with License of Occupation (LOC) and Sump with Mineral Surface License (MSL) expressly identified in Schedule “A-1”;
- (d) all drill core samples, SEGP summary reports, surveyor’s ground elevation records, shooter’s records, record sections, drill core samples and all shot point maps, seismograph records and tapes, field shot and monitor records and tapes, SEGP survey data and observer’s reports, derived profiles from refraction seismic, other seismic electronic data and equivalent reports, data and information for the electromagnetic survey (**“Seismic Data”**) to the extent relating solely to the Spin-Off Lands;
- (e) the Spin-Off Wells;
- (f) the Spin-Off Books and Records; and
- (g) copies of all books, records and documents and geological, geophysical, hydrological, engineering and production reports, records, logs, drawings and data pertaining to both (i) the Oil Sands Rights or the Tangibles, and (ii) the Retained Assets;

**“Office Leases”** means, collectively:

- (a) the sublease dated October 1, 2010 between UTS Energy Corporation and the Vendor in respect of the Lease of Office Space dated October 21, 2008 among The Great-West Life Assurance Company, London Life Insurance Company, TPP Investments 1 Inc. and PSS Investments 1 Inc., as landlord and UTS Energy Corporation, as tenant;
- (b) the sublease agreement dated April 6, 2011 between Cenovus Energy Inc. and the Vendor;
- (c) the sublease dated March 24, 2011 between Shell Canada Limited and the Vendor;

**“Oil Sands Rights”** means all rights of Vendor to explore for, drill for, develop, own or remove Petroleum Substances within, on or under the Spin-Off Lands, including Vendor’s interest in and to the Spin-Off Lands, and insofar as they pertain to the Spin-Off Lands, the Spin-Off Leases, but excluding such rights insofar as they pertain to the Retained Projects;

**“Other Transferred Assets”** means all assets, property and undertaking of Vendor, other than the Oil Sands Rights, the Tangibles, the Miscellaneous Interests, the Office Leases, the Retained Assets and the Partnership Assets, but including, for clarity, the Transferred Working Capital, office furniture and furnishings and goodwill of Vendor, except to the extent such goodwill relates directly or indirectly to the Retained Projects;

“**Parties**” means Vendor, Partnership and Purchaser and “**Party**” means any one of them;

“**PartnerCo**” means ●, a wholly-owned subsidiary of Vendor incorporated under the CBCA for purposes of becoming a partner in the Partnership as contemplated by Section 5.2 of the Arrangement Agreement;

“**Partnership Assets**” means all of the direct and indirect interests of Vendor in the Partnership and PartnerCo and all assets and rights relating thereto, including all interests held by Vendor in the Partnership, all shares of PartnerCo held by Vendor, all assets held by the Partnership and the partnership agreement among the Vendor and PartnerCo establishing the Partnership;

“**Permit**” means any license, permit, certificate, franchise, consent, order, grant, easement, covenant, approval, classification, registration or other authorization of and from any person, including any Governmental Entity;

“**person**” includes an individual, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, association, body corporate, unincorporated organization, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;

“**Petroleum Substances**” means:

- (a) sands and other rock materials containing crude bitumen;
- (b) the crude bitumen contained in those sands and other rock materials;
- (c) bitumen, synthetic crude oil and any other mineral substances, other than natural gas, or any other product obtained from oil sands by processing, reprocessing or any other means in association with that crude bitumen or the sands and other rock materials referred to in subsections (a) and (b);
- (d) any hydrocarbon substance declared to be oil sands under section 7(2) of the *Oil Sands Conservation Act* (Alberta); and
- (e) solution gas within the meaning of section 87.1 of the *Mines and Minerals Act, R.S.A. 2000*, Chapter M-17;

“**Plan of Arrangement**” has the meaning ascribed thereto in the Arrangement Agreement;

“**Pre-Closing Taxes**” means, without duplication: (i) any Taxes of Vendor for any taxation year of Vendor ending on or before the Closing Date, and, (ii) any Taxes of Vendor for any taxation year of Vendor commencing on and ending after the Closing Date computed on the basis that such taxation year ended immediately before the transaction described in section 3.1(n) of the Plan of Arrangement;

“**Proprietary Information**” means:

- (a) all reports and summaries, documents and other related materials in respect to the valuation of the Retained Projects;
- (b) all processes developed and undertaken by Vendor or any of its Representatives with respect to exploration, development and operations of the Retained Projects;
- (c) all proprietary processes, procedures, methods and strategies pertaining to the Retained Projects;
- (d) all intellectual property rights (including trade secrets and other rights in know-how) in respect of the Retained Projects; and
- (e) all confidential or proprietary information in respect of the Retained Projects developed by Vendor or any of its Representatives or in Purchaser’s possession;

“**Purchaser’s Group**” has the meaning set forth in Section 7.2;

“**Purchaser’s Losses**” has the meaning set forth in Section 7.2;

“**Release**” has the meaning prescribed in any Environmental Law and includes any sudden, intermittent or gradual release, spill, leak, pumping, addition, pouring, emission, emptying, discharge, migration, injection, escape, leaching, disposal, dumping, deposit, spraying, burial, abandonment, incineration, seepage, placement or introduction of a Hazardous Substance, whether accidental or intentional, into the Environment;

“**Representative**” means, in respect of a person, any Affiliate of that person and any director, officer, employee, agent, advisor (including legal, accounting and financial advisors) or other representative of such person and its Affiliates;

“**Retained Assets**” means, collectively, (i) the Retained Projects, (ii) the Retained Cash, and (iii) all Proprietary Information, and includes, from and after the Effective Time and the direct and indirect transfer of the foregoing assets to the Partnership pursuant to the Arrangement, the Partnership Assets;

“**Retained Books and Records**” means all books, records, files and data in all formats (including without limitation paper and electronic formats), wherever located and whatever nature, to the extent related to the Retained Assets, including without

limitation books, records, files and data relating to geological information, geophysical, hydrological, engineering, technical and production reports, records, logs, drawings, data, operating information, audit reports, tax or financial information;

**"Retained Cash"** means cash in an amount equal to the reasonably estimated amount of the Pre-Closing Taxes, calculated in accordance with Section 5.3 of the Arrangement Agreement;

**"Retained Lands"** means the lands set forth and described in Schedule "A-2", insofar as rights pertaining to the Petroleum Substances underlying those lands are granted by the Retained Leases;

**"Retained Leases"** means the leases set forth and described in Schedule "A-2", by virtue of which the holder thereof is entitled to drill for, own or remove the Petroleum Substances within, upon or under the lands specified therein or by virtue of which the holder thereof is entitled to a share of Petroleum Substances removed from the lands specified therein, and includes, if applicable, all renewals and extensions of such documents issued in substitution therefor;

**"Retained Miscellaneous Interests"** means all right, title, interest and estate of Vendor in and to all property, assets and rights, whether contingent or absolute, legal or beneficial, present or future, vested or not (other than the Retained Oil Sands Rights or the Retained Tangibles) associated with or used in connection with either the Retained Oil Sands Rights or the Retained Tangibles, including, without limitation, the following:

- (a) all contracts, agreements (whether written or oral), arrangements and documents (including the Retained Title and Operating Documents) or any rights in relation thereto;
- (b) all rights that are, or were held, to enter upon, use or occupy the surface of any lands which are or were used, held for use or to be crossed in connection with, or to gain access to, the Retained Oil Sands Rights and/or the Retained Tangibles;
- (c) all Permits, licenses and authorizations relating to the Retained Oil Sands Rights or the Retained Tangibles, including all licenses, permits, dispositions and letters of authority and/or occupation, including Surficial Dispositions and otherwise related to any and all Letters of Authority (LOA's), Licences of Occupation (LOC's), Mineral Surface Leases (MSL's), Miscellaneous Leases (MLL's), Withdrawal and/or Diversion Licences (DL's), Temporary Licences (TDL's) and similar dispositions west of Range #9, between Townships #096 to #104 (other than those expressly identified in Schedule "A-1");
- (d) all drill core samples, SEGP summary reports, surveyor's ground elevation records, shooter's records, record sections, drill core samples and all shot point maps, seismograph records and tapes, field shot and monitor records and tapes, SEGP survey data and observer's reports, derived profiles from refraction seismic, other seismic electronic data and equivalent reports, data and information for the electromagnetic survey to the extent relating solely to the Retained Lands;
- (e) the Retained Wells; and
- (f) the Retained Books and Records;

**"Retained Oil Sands Rights"** means all rights of Vendor to explore for, drill for, develop, own or remove Petroleum Substances, within, on or under the Retained Lands, including Vendor's interest in and to the Retained Lands, and insofar as they pertain to the Retained Lands, the Retained Leases;

**"Retained Projects"** means, collectively, (i) the Retained Oil Sands Rights, (ii) the Retained Tangibles, and (iii) the Retained Miscellaneous Interests;

**"Retained Tangibles"** means Vendor's right, title and interest in the tangible depreciable property or assets that are used or useful solely in connection with production, gathering, treatment, storage, compression, processing, transportation, injection, removal or other operations relating to the Retained Oil Sands Rights, and includes all tangible depreciable property and assets that form part of or are used in connection with them (including the tangible equipment, if any, relating to the Retained Wells and downhole equipment and includes pipelines that have been abandoned but not removed);

**"Retained Title and Operating Documents"** means:

- (a) the Retained Leases; and
- (b) contracts relating to the ownership, operation or development of the Retained Assets entered into in the normal course of the oil and gas business, including: joint venture agreements; operating procedures; agreements for the construction, ownership and operation of gas plants, pipelines, gas gathering systems and similar facilities; royalty agreements; farmin and farmout agreements; participation and sub-participation agreements; trust declarations and agreements; purchase and sale agreements, asset exchange agreements, conveyance and transfer agreements and any other contracts relating to the ownership of the Retained Assets or the recognition of Vendor's interest therein; contracts providing for the gathering, measurement, processing, compression or transportation of Petroleum

Substances; common steam agreements; well operating contracts and surface leases, pipeline easements, road use agreements and other contracts granting surface interests;

**"Retained Wells"** means all drill, test and evaluation holes and water source, observation, disposal, injection, and other wells located on the Retained Lands;

**"Securities Act"** means the *Securities Act* (Alberta) and the rules, regulations and published policies made thereunder, as now in effect and as they may be promulgated or amended from time to time;

**"Spin-Off Assets"** means, collectively, (i) the Oil Sands Rights, (ii) the Tangibles, (iii) the Miscellaneous Interests, (iv) the Office Leases, and (v) the Other Transferred Assets, but excluding the Retained Assets and the Partnership Assets;

**"Spin-Off Books and Records"** means all books, records, files and data in all formats (including without limitation paper and electronic formats), wherever located and whatever nature, which relate in whole or in part to the Spin-Off Assets but not the Retained Assets, including without limitation books, records, files and data relating to geological information, geophysical, hydrological, engineering, technical and production reports, records, logs, drawings, data, operating information, audit reports, tax or financial information and all reports, summaries, documents and other related materials in respect to the valuation of the Spin-Off Assets;

**"Spin-Off Lands"** means the lands set forth and described in Schedule "A-1", insofar as rights pertaining to the Petroleum Substances underlying those lands are granted by the Spin-Off Leases;

**"Spin-Off Leases"** means the leases set forth and described in Schedule "A-1", by virtue of which the holder thereof is entitled to drill for, own or remove the Petroleum Substances within, upon or under the lands specified therein or by virtue of which the holder thereof is entitled to a share of Petroleum Substances removed from the lands specified therein, and includes, if applicable, all renewals and extensions of such documents issued in substitution therefor;

**"Spin-Off Wells"** means all drill, test and evaluation holes and water source, observation, disposal, injection, and other wells located on the Spin-Off Lands;

**"Tangibles"** means Vendor's right, title and interest in the tangible depreciable property or assets that are used or useful solely in connection with production, gathering, treatment, storage, compression, processing, transportation, injection, removal or other operations relating to the Oil Sands Rights, and includes all tangible depreciable property and assets that form part of or are used in connection with them (including the tangible equipment, if any, relating to the Spin-Off Wells and downhole equipment and includes pipelines that have been abandoned but not removed), but excluding such right, title and interest insofar as it pertains to the Retained Projects;

**"Tax Act"** means the *Income Tax Act* (Canada) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

**"Taxes"** means (a) any and all domestic and foreign federal, state, provincial, municipal and local taxes, assessments and other governmental charges, duties, impositions and liabilities imposed by any Governmental Entity, including Canada Pension Plan and Provincial pension plan contributions, instalments, unemployment insurance contributions and employment insurance contributions, worker's compensation and deductions at source, including taxes based on or measured by gross receipts, gross income, net income, profits, sales, capital, use, and occupation, and including goods and services, harmonized value added, ad valorem, transfer, franchise, withholding, customs, payroll, stamp, recapture, premium, windfall profits, employment, excise and property duties and taxes, together with all interest, penalties, fines and additions imposed with respect to such amounts and (b) any liability for the payment of any amount of the type described in the immediately preceding clause (a) as a result of being a "transferee" (within the meaning of Section 160 of the Tax Act or any other similar applicable Law) of another entity or a member of a related, non-arm's length, affiliated or combined group;

**"Title and Operating Documents"** means:

- (a) the Spin-Off Leases; and
- (b) contracts relating to the ownership, operation or development of the Spin-Off Assets entered into in the normal course of the oil and gas business, including: joint venture agreements; operating procedures; agreements for the construction, ownership and operation of gas plants, pipelines, gas gathering systems and similar facilities; royalty agreements; farmin and farmout agreements; participation and sub-participation agreements; trust declarations and agreements; purchase and sale agreements, asset exchange agreements, conveyance and transfer agreements and any other contracts relating to the ownership of the Spin-Off Assets or the recognition of Vendor's interest therein; contracts providing for the gathering, measurement, processing, compression or transportation of Petroleum Substances; common steam agreements; well operating contracts and surface leases, pipeline easements, road use agreements and other contracts granting surface interests;

**"Transaction"** has the meaning ascribed thereto in the Arrangement Agreement;

“**Transaction Expenses**” means all costs, fees and expenses incurred or suffered by the Vendor in connection with the Transaction, including but not limited to, financial advisor fees, management compensation and change of control payments, fees of outside legal counsel, auditors and technical experts, printing and mailing costs, and all other general fees, costs and expenses incurred by the Vendor in connection with the Transaction; and

“**Transferred Working Capital**” means: (i) all of the current assets of Vendor as of the Effective Time (other than the Retained Cash and any other such assets that are Retained Assets), after giving effect to the contribution to be made to Vendor pursuant to Section 3.1(f) of the Plan of Arrangement, less (ii) the aggregate amount of the accounts payable, deferred revenues and other current liabilities of Vendor as at the Effective Time, including all Transaction Expenses, and excluding the liability of Vendor under the Loan and the Frontier Costs, all calculated in accordance with GAAP on a basis consistent with Schedule “B” hereto.

### **Section 1.2 Interpretation**

- (1) The references “hereunder”, “herein” and “hereof” refer to the provisions of this Agreement, and, unless expressly provided otherwise, references to Articles, Sections and Schedules herein refer to articles, sections, subsections or schedules of this Agreement. Any reference to time shall refer to Mountain Standard Time or Mountain Daylight Saving Time during the respective intervals in which each is in force in the Province of Alberta. The headings of the Articles, Sections, Schedules and any other headings, captions or indices herein are inserted for convenience of reference only and shall not be used in any way in construing or interpreting any provision hereof.
- (2) Whenever the singular or masculine or neuter is used in this Agreement or in the Schedules, it shall be interpreted as meaning the plural or feminine or body politic or corporate, and vice versa, as the context requires. Where a term is defined herein, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires.
- (3) The word “or” is not exclusive, and the word “including” (in its various forms) means including without limitation. Pronouns in masculine, feminine or neuter genders shall be construed to state and include any other gender, and words, terms and titles (including terms defined herein) in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires.
- (4) If there is any conflict or inconsistency between the provisions of the body of this Agreement and those of a Schedule, the provisions of the body of this Agreement shall prevail.
- (5) All documents executed and delivered pursuant to the provisions of this Agreement are subordinate to the provisions hereof and the provisions hereof shall govern and prevail in the event of a conflict.
- (6) Any reference to a statute shall include and shall be deemed to be a reference to such statute and to the regulations made pursuant thereto, and all amendments made thereto and in force at the date hereof.
- (7) Whenever any payment to be made or action to be taken under this Agreement is required to be made or taken on a day other than a business day, such payment shall be made or action taken on the next business day following.
- (8) Unless otherwise specifically indicated herein, all dollar and monetary amounts shall in be in Canadian dollars.

### **Section 1.3 Schedule**

The following schedules are attached to, form part of and is incorporated in this Agreement:

Schedule “A-1”	Spin-Off Lands and Leases
Schedule “A-2”	Retained Lands and Leases
Schedule “B”	Calculation of Transferred Working Capital
Schedule “C”	Form of Resolution

## **ARTICLE 2 CONVEYANCE**

### **Section 2.1 Agreement to Purchase and Sell**

Vendor hereby agrees to sell, assign, transfer and convey to Purchaser and Purchaser hereby agrees to purchase from Vendor, the Spin-Off Assets all upon the terms and subject to the conditions set forth in this Agreement. For greater certainty, the Spin-Off Assets will not include any direct or indirect interest of Vendor in the Retained Assets or the Partnership Assets.

### **Section 2.2 Assumed Liabilities**

- (1) Purchaser hereby agrees to assume, pay, discharge, and perform all Liabilities of Vendor other than the Excluded Liabilities (collectively, the “**Assumed Liabilities**”), including:

- (a) those Liabilities attributable to periods after the Closing Date under each of the Title and Operating Documents or otherwise relating to or arising with respect to the Spin-Off Assets;
- (b) any Pre-Closing Taxes;
- (c) all Transaction Expenses and all other Liabilities of Vendor that are not specifically attributable to the Retained Assets; and
- (d) all other Liabilities arising out of ownership or operation of, or otherwise relating to, the Spin-Off Assets, whether incurred or arising before or after the Closing Date,

except to the extent Vendor has received a credit for such Liabilities by way of the Retained Cash.

- (2) Purchaser agrees that it will, following the closing, promptly satisfy and pay all of the Assumed Liabilities (to the extent due and payable), including all Transaction Expenses.

### **Section 2.3 Excluded Liabilities**

Purchaser shall not assume and shall have no obligation to pay, discharge, or perform those Liabilities attributable to periods before, on or after the Closing Date relating specifically to or arising specifically with respect to the Retained Assets (including all Environmental and Reclamation Liabilities relating to the Retained Assets), or any Liabilities under the Loan or the Frontier Costs (collectively, the “**Excluded Liabilities**”). For greater certainty, Pre-Closing Taxes will not be Excluded Liabilities.

### **Section 2.4 Consideration**

- (1) Vendor is conveying the Spin-Off Assets to Purchaser in consideration for an amount equal to the fair market value of the Spin-Off Assets, to be satisfied by:
  - (a) the issuance of one fully paid and non-assessable Series B preferred share in the capital of Purchaser to Vendor having a redemption amount determined by the board of Purchaser at the time of issuance as per a determination resolution substantially in the form attached hereto as Schedule “C”,
  - (b) the issuance of such number of common shares in the capital of Purchaser as is equal to the Common Share Number, and
  - (c) the assumption of the Assumed Liabilities(collectively, the “**Consideration**”).
- (2) The Parties have determined that the amount of the Assumed Liabilities (including any obligation of the Purchaser under Article 7) will be the amount of liabilities (excluding any deferred income taxes) shown on the opening balance sheet for Purchaser for the period that includes the Effective Date that is prepared for financial accounting purposes, which balance sheet shall be prepared on the same basis as the interim financial statements of the Vendor for the period ended September 30, 2011, or such other reasonable amount as determined by Vendor and Purchaser, acting reasonably; provided, however, that notwithstanding the foregoing, such determination shall in no way limit Purchaser’s obligations in respect of all of the Assumed Liabilities or under Article 7 hereof.
- (3) The amount to be added to the stated capital account of the Series B preferred share of Purchaser will be equal to the sum of (a) the amount by which the aggregate of each “agreed amount” in respect of each property comprising the Spin-Off Assets allocated as consideration for such Series B preferred share and which are the subject of an election under section 85 of the Tax Act exceeds the amount of any Assumed Liabilities allocated to each such property, and (b) the fair market value of any Ineligible Property (as defined in Section 2.8) (or any portion thereof) allocated as consideration for such Series B preferred share.
- (4) The amount to be added to the stated capital account of the common shares of Purchaser will be equal to the sum of (a) the amount by which the aggregate of each “agreed amount” in respect of each property comprising the Spin-Off Assets allocated as consideration for such common shares and which are the subject of an election under section 85 of the Tax Act exceeds the amount of any Assumed Liabilities allocated to each such property, and (b) the fair market value of any Ineligible Property (as defined in Section 2.8) (or any portion thereof) allocated as consideration for such common shares.

### **Section 2.5 Payment and Calculation of Transferred Working Capital**

The Transferred Working Capital shall be calculated and paid in accordance with Schedule “B”.

### **Section 2.6 GST and Taxes**

- (1) Vendor and Purchaser will use their best efforts in good faith to minimize (or eliminate) any taxes payable under the *Excise Tax Act* (Canada) in respect of the sale of the Spin-Off Assets by Vendor to Purchaser under this Agreement by, among other



things, making such elections and taking such steps as may be provided for under the *Excise Tax Act* (Canada) (including, for greater certainty, making joint elections in a timely manner under Section 156 and Section 167 of the *Excise Tax Act* (Canada)).

- (2) Purchaser shall be solely liable for any and all Taxes (other than Taxes imposed on income of Vendor) imposed by a Governmental Entity in respect of the completion of the transfer of the Spin-Off Assets pursuant hereto. If Vendor, as agent for the Crown, is required to collect such Taxes, Purchaser shall pay the aggregate amount of such Taxes to Vendor on demand and in such case Vendor shall remit such amount to the appropriate authorities in accordance with applicable legislation.

#### **Section 2.7 Section 85 Election**

- (1) The Parties agree that the transfer of each property comprising the Spin-Off Assets (other than any Ineligible Property (as defined in Section 2.8)) shall be made pursuant to the provisions of section 85 of the Tax Act and the equivalent provisions of any provincial Tax legislation. The "agreed amount" (as referred to in section 85 of the Tax Act) in respect of each such property shall be the amount determined in the sole discretion of Purchaser; provided that:
  - (a) such agreed amount is within the limitations specified for such agreed amount in section 85 of the Tax Act or such provincial Tax legislation; and
  - (b) such agreed amount does not result in a liability for Tax of the Vendor solely as a result of the transfer of such Spin-Off Assets.
- (2) Subject to Section 2.7(1), the Parties agree to execute a section 85 election form at or following the Effective Time, in the form prepared by Purchaser and each Party agrees to deliver and file such election form and any provincial equivalent, in the manner and within the time prescribed by applicable Law. The Parties agree to cooperate in the event that it is necessary to file an amended election pursuant to section 85 of the Tax Act.

#### **Section 2.8 Spin-Off Assets Not Transferred Under Section 85**

No section 85 election will be filed in respect of the Transferred Working Capital or Seismic Data (the "Ineligible Property").

#### **Section 2.9 Allocation of Consideration**

The Consideration shall be allocated among the Spin-Off Assets in the following manner and in the order set forth below:

- (a) The Assumed Liabilities will be allocated first to the Ineligible Property in an amount up to but not exceeding the fair market value of the Ineligible Property on the Closing Date.
- (b) If the amount of the Assumed Liabilities exceeds the aggregate amount of the Assumed Liabilities that are allocated in accordance with subsection 2.9(a), then such excess Assumed Liabilities shall be allocated amongst the Spin-Off Assets (other than Ineligible Property) on a pro rata basis in proportion to the relative fair market value of such Spin-Off Assets (other than Ineligible Property) or in such other manner as Purchaser may determine in its sole discretion.
- (c) The Series B preferred share of Purchaser shall, firstly, be allocated as consideration for the Birch Mountain Leases and the Jordan Leases included in the Spin-Off Leases, as set out in Schedule "A-1", transferred to Purchaser to the extent that the fair market value of such properties exceeds the amount, if any, of the Assumed Liabilities allocated to such properties in accordance with the provisions above.
- (d) Any remaining Series B preferred share (or fraction thereof) of Purchaser after giving effect to the provisions above shall, secondly, be allocated as consideration for the Ineligible Property transferred to Purchaser to the extent that the fair market of such Ineligible Property exceeds the amount, if any, of the Assumed Liabilities allocated to such Ineligible Property in accordance with the provisions above.
- (e) Any remaining Series B preferred share (or fraction thereof) of Purchaser after giving effect to the provisions above shall, thirdly, be allocated as consideration for any remaining Spin-off Assets in a manner determined by Purchaser after the Closing Date, but for greater certainty, only if and to the extent that the fair market value of such remaining Spin-Off Assets exceeds the amount of any other consideration allocable to such Spin-Off Assets in accordance with the provisions above.
- (f) The common shares of Purchaser shall be allocated amongst the Spin-Off Assets in a manner determined by Purchaser after the Closing Date but for greater certainty, only if and to the extent that the fair market value of such Spin-Off assets exceeds the amount of any other consideration allocable to such Spin-Off assets in accordance with the provisions above
- (g) Purchaser and Vendor agree to act in accordance with such allocations for all federal and provincial Tax purposes, including with respect to any tax returns that may be filed by them and in any section 85 election form (or comparable provincial election) filed by them, and the Purchaser and the Vendor agree not to take a position before any Governmental Entity charged with the collection of any Taxes or in any judicial proceeding that is in any manner

inconsistent with the terms of any such allocation or in the section 85 election form (or comparable provincial election) filed by Purchaser or Vendor.

**Section 2.10 Subsection 20(24) Election**

If requested by Vendor, the Parties shall jointly execute and file an election pursuant to subsection 20(24) of the Tax Act and corresponding provisions of any applicable provincial Tax legislation, in the manner and within the time prescribed by applicable Law.

**Section 2.11 Section 22 Election**

If applicable, the Parties shall jointly execute an election in prescribed form under Section 22 of the Tax Act and corresponding provisions of any applicable provincial Tax legislation as to the sale of any accounts receivable, shall designate therein the applicable portion of the Consideration allocated to such accounts receivable and shall each file such election with the applicable Governmental Entity in the manner and within the time prescribed by applicable Law.

**Section 2.12 256 Election**

The Parties agree that Vendor may, in its sole discretion, elect after the Effective Time in the manner and within the time prescribed by the Tax Act so that the provisions of subsection 256(9) of the Tax Act do not apply with respect to the acquisition of control of Vendor occurring on the Effective Date.

**ARTICLE 3  
CONVEYANCING MATTERS**

**Section 3.1 Third Party Consents**

To the extent not already completed at the Effective Time, at its own cost Purchaser shall following the Effective Time use commercially reasonable efforts to (i) amend, assign or novate all material contracts, agreements and documents (including the Title and Operating Documents) with respect to the Spin-Off Assets into the name of Purchaser; and (ii) obtain approvals of Governmental Entities and other persons required for consummation of the transactions contemplated by this Agreement, other than those required in connection with the retention by Vendor of the Retained Assets.

**Section 3.2 Conveyancing**

- (1) Vendor hereby acknowledges and confirms that the title to the Spin-Off Assets which remains in its name following the Closing Date is held by it as nominee and agent for and bare trustee of Purchaser and that all beneficial ownership in the Spin-Off Assets is held by Purchaser.
- (2) Following the Closing Date, until Purchaser is novated into the agreements and documents that form part of the Spin-Off Assets, Vendor shall act as Purchaser's agent (including to serve operation notices and authorizations for expenditure) as Purchaser reasonably and lawfully directs. Vendor shall have no liability to Purchaser hereunder in respect of or arising in connection with any acts or omissions of Vendor in its capacity as agent of Purchaser under this Section 3.2 except to the extent resulting from the gross negligence or wilful misconduct of Vendor. Purchaser shall be liable to Vendor for all Losses and Liabilities suffered, sustained, paid or incurred by Vendor, and will indemnify and save harmless Vendor from and against all Claims made against Vendor in connection with Vendor acting as agent of Purchaser under this Section 3.2, except to the extent resulting from the gross negligence or wilful misconduct of Vendor. For greater certainty, an act or omission by Vendor in its capacity as agent of Purchaser under this Section 3.2 shall not constitute the gross negligence or wilful misconduct of Vendor if such act or omission is done at the request of Purchaser or with its express or implied consent or approval.

**Section 3.3 Proprietary Information**

Purchaser hereby acknowledges and confirms that from and after the Closing Date, Purchaser shall maintain no right, title, interest, estate or registration (if any) in and to any Proprietary Information whatsoever, and Purchaser will not challenge, directly or indirectly, in any court, tribunal or other forum, the rights of Vendor to use or otherwise exploit the Proprietary Information as it deems appropriate.

**ARTICLE 4  
CLOSING**

**Section 4.1 Closing**

The closing of the transactions contemplated herein shall take place on the Closing Date at the time specified in the Plan of Arrangement.

#### **Section 4.2 Transfer of Ownership and Risk**

The Spin-Off Assets shall constitute property of Purchaser as and from the time specified in the Plan of Arrangement and the transfer of ownership and risk with respect to the Spin-Off Assets shall transfer to Purchaser as and from the time specified in the Plan of Arrangement.

#### **Section 4.3 Employment**

Vendor agrees to terminate the employment of all employees (including officers) of Vendor as of the Closing Date. Purchaser shall indemnify Vendor for all severance payments, damages for wrongful dismissal and all related costs in respect of the termination by Vendor of the employment of any employee. The Parties agree that Purchaser may, prior to the Closing Date, offer employment to all such employees on terms which are comparable in the aggregate to those existing as of the Closing Date.

#### **Section 4.4 Deliveries at Closing**

- (1) Deliveries of Vendor at Closing. Concurrent with the execution of this Agreement by the Parties, Vendor shall deliver or cause to be delivered to and in favour of Purchaser, against those deliveries required to be made by Purchaser to Vendor, the following:
  - (a) a receipt for payment of the Consideration; and
  - (b) any and all other documents which are required to be delivered by Vendor to Purchaser on the Closing Date pursuant to this Agreement.
- (2) Deliveries of Purchaser at Closing. Concurrent with the execution of this Agreement by the Parties, Purchaser shall deliver or cause to be delivered to and in favour of Vendor, against those deliveries required to be made by Vendor to Purchaser, the following:
  - (a) a share certificate in the name of Vendor representing [one Series B preferred share] of Purchaser; and
  - (b) any and all other documents which are required to be delivered by Purchaser to Vendor on the Closing Date pursuant to this Agreement.

#### **Section 4.5 Delivery of Books and Records**

- (1) Retained Books and Records. To the extent in its possession and control, Purchaser shall deliver the Retained Books and Records to Vendor as soon as practicable following the Closing Date.
- (2) Spin-Off Books and Records. To the extent in its possession and control, Vendor shall deliver the Spin-Off Books and Records to Purchaser as soon as practicable following the Closing Date.

### **ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF VENDOR**

#### **Section 5.1 Vendor Representations**

Vendor hereby represents and warrants to Purchaser that:

- (a) Organization. Vendor: (i) is a corporation duly organized, validly existing and in good standing under the laws of its place of incorporation; (ii) has the requisite power and authority to own, lease and operate its properties and to conduct its business as it is presently being conducted; and (iii) is duly qualified to do business, and is in good standing, in each jurisdiction where the character of the properties owned or leased by it or the nature of its activities makes such qualification necessary.
- (b) Authority and Enforceability. Vendor has the requisite power and authority to enter into and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action on the part of Vendor and no other proceedings on the part of Vendor is necessary to authorize the execution or delivery of this Agreement or the consummation of the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Vendor and all other documents executed and delivered pursuant hereto will, when executed and delivered, be duly authorized, executed and delivered by Vendor and this Agreement does, and such documents will when executed and delivered (assuming that this Agreement constitutes a valid and binding obligation of Purchaser) constitute a valid and binding obligation of Vendor enforceable against Vendor in accordance with its terms, except as such enforceability may be subject to the laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief and other equitable remedies.
- (c) Tax Act Residency. Vendor is not a non-resident of Canada for purposes of the Tax Act.

- (d) Registration under GST Legislation. Vendor is validly registered for the purposes of GST Legislation, having registration number [●].

**Section 5.2 Disclaimer**

- (1) Vendor does not make any representations or warranties of any kind or nature, express or implied, at law or in equity except as expressly set forth in Section 5.1 and in particular, and without limiting the generality of the foregoing, Vendor hereby expressly negates and disclaims, and shall not be liable for, any and all representations or warranties which may have been made or alleged to have been made in any other document or instrument or in any statement or information made or communicated to Purchaser or its Representatives (as of the date hereof) in any manner, except for those expressly set forth in Section 5.1.
- (2) Vendor hereby expressly negates and disclaims, and shall not be liable for, any representations or warranties made or alleged to have been made to Purchaser or its Representatives as of the date hereof (except for the representations and warranties expressly set forth in Section 5.1) with respect to any of the following matters:
- (a) the quantity, quality or recoverability of any of the Petroleum Substances;
  - (b) the value of the Spin-Off Assets or the future cash flow therefrom;
  - (c) the absence of third-party claims to or interests in the Spin-Off Assets;
  - (d) the environmental condition of any lands or asset or any Environmental and Reclamation Liability;
  - (e) the quality, condition, fitness, merchantability or sustainability of use for any purpose, of the Spin-Off Assets;
  - (f) any engineering or geological information or interpretations thereof or any economic evaluations with respect to the Spin-Off Assets;
  - (g) title to the Spin-Off Assets;
  - (h) any Losses, Liabilities or Claims related to the Spin-Off Assets; or
  - (i) any Liens with respect to the Spin-Off Assets.
- (3) Purchaser acknowledges and confirms that: (i) it will accept the Spin-Off Assets on an "as is-where is" basis without representation and warranty whether express or implied, (ii) it has knowledge of the Spin-Off Assets and performed its own due diligence and it has not relied on any data, information, statement or advice provided to Purchaser or its Representatives (as of the date hereof) by Vendor or its Representatives, and (iii) in agreeing to enter into and to consummate the transactions contemplated herein, it has relied on its own inspections and evaluations of the Spin-Off Assets, the Environmental and Reclamation Liabilities and the Liabilities and obligations assumed by Purchaser pursuant hereto.
- (4) Except for its rights under this Agreement, Purchaser hereby waives all rights and remedies (whether now existing or hereafter arising and including all common law, tort, contractual, equitable and statutory rights and remedies) against Vendor or its Representatives in respect of the Spin-Off Assets, the transactions contemplated hereby or any representations or statements made, or information or data furnished, to Purchaser or any of its Representatives (as of the date hereof) in connection herewith or otherwise (whether made or furnished by Vendor or any of its Representatives or third parties and whether made or furnished orally or by electronic, faxed, written or other means).

**ARTICLE 6  
REPRESENTATIONS AND WARRANTIES OF PURCHASER**

**Section 6.1 Purchaser's Representations**

Purchaser hereby represents and warrants to Vendor that:

- (a) Organization. Purchaser: (i) is a corporation duly organized, validly existing and in good standing under the laws of its place of incorporation; (ii) has the requisite power and authority to own, lease and operate its properties and to conduct its business as it is presently being conducted; and (iii) is duly qualified to do business, and is in good standing, in each jurisdiction where the character of the properties owned or leased by it or the nature of its activities makes such qualification necessary.
- (b) Authority and Enforceability. Purchaser has the requisite power and authority to enter into and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action on the part of Purchaser and no other proceedings on the part of Purchaser are necessary to authorize the execution or delivery of this Agreement or the consummation of the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Purchaser and all other documents executed

and delivered pursuant hereto will, when executed and delivered, be duly authorized, executed and delivered by Purchaser and this Agreement does, and such documents will when executed and delivered (assuming that this Agreement constitutes a valid and binding obligation of Vendor) constitute a valid and binding obligation of Purchaser enforceable against Purchaser in accordance with its terms, except as such enforceability may be subject to the laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief and other equitable remedies.

- (c) Brokers. No broker, finder, investment banker or other person is or will be, in connection with the transactions contemplated by this Agreement, entitled to any brokerage, finder's or other fee or other similar forms of compensation in respect of the transactions contemplated herein for which Vendor will have any obligation or liability.
- (d) Taxable Canadian Corporation. Purchaser is a "taxable Canadian corporation" as such term is defined for the purposes of the Tax Act.
- (e) Registration Under GST Legislation. Purchaser is validly registered for the purposes of the GST Legislation, having the registration number [●].
- (f) Current Intention. Purchaser acknowledges that the intention of the Acquiror, as part of the Arrangement, is to amalgamate the Acquiror (or a person who is related to the Acquiror within the meaning of the Tax Act) with Vendor in the manner described in subsection 87(11) of the Tax Act (the amalgamated corporation being referred to in this Section 1(f) as "Amalco"), and then to make designations pursuant to paragraph 88(1)(d) of the Tax Act in respect of non-depreciable capital property (including shares of any subsidiaries of Vendor and any partnership interests owned by Vendor) that will be owned by Amalco immediately after the amalgamation such that the cost to Amalco of the property will be determined in accordance with paragraph 88(1)(c) of the Tax Act, including an addition to the cost determined under paragraph 88(1)(d) of the Tax Act. Purchaser also acknowledges that certain transactions entered into or actions taken by Purchaser or a Related Party of the Purchaser could have the effect of preventing the Acquiror from obtaining a full tax cost "bump" pursuant to paragraph 88(1)(d) of the Tax Act and in connection therewith and with a view to ensuring that the "bump" is obtained, Purchaser represents and warrants that it has no current intention to acquire any Prohibited Property, and for these purposes "Prohibited Property" means (a) any share or debt of the Acquiror Parent, or (b) any right to, or interest in, or option in respect of, any share or debt of the Acquiror Parent.

#### **Section 6.2 Disclaimer**

- (1) Vendor acknowledges and confirms that except as expressly stated in this Agreement, it has not relied on any data, information, statement or advice provided to Vendor or its Representatives (as of the date hereof) by Purchaser or its Representatives.
- (2) Except for its rights under this Agreement, Vendor hereby waives all rights and remedies (whether now existing or hereafter arising and including all common law, tort, contractual, equitable and statutory rights and remedies) against Purchaser or its Representatives in respect of the Retained Assets.

### **ARTICLE 7 INDEMNIFICATION**

#### **Section 7.1 Purchaser's Indemnification of Vendor**

Subject to Purchaser's rights and remedies under Section 7.2 and without limiting such rights and remedies and not including any of Purchaser's Losses for which Purchaser is indemnified under Section 7.2, Purchaser shall, subject to the limitations set forth herein, indemnify, defend and save harmless (on an after tax basis) Vendor, its successors and assigns and each of their respective Representatives from and against any and all Losses, Liabilities and Claims suffered or incurred by any of them or made against any of them arising or resulting from or in connection with, directly or indirectly:

- (a) the Spin-Off Assets and/or Assumed Liabilities, whether occurring before, on or after the Effective Time that arise from or relate to acts, omissions, events or circumstances occurring before, on or after the Effective Time, including Losses, Liabilities and Claims arising from operations relating to the Spin-Off Assets conducted before, on or after the Effective Time (including payment of the costs of such operations) and payment of royalties and similar encumbrances in respect of the production of Petroleum Substances allocated to the Oil Sands Rights produced after the Effective Time;
- (b) the breach of any representation, warranty, covenant or agreement of Purchaser set forth herein or a breach of any covenant, agreement or indemnity of Purchaser in any document delivered in connection herewith;

- (c) whether arising before, on or after the Effective Time, all Environmental and Reclamation Liabilities and Environmental Claims relating to acts, omissions or occurrences in respect of the Spin-Off Assets before, on or after the Effective Time, including the effects of, and the costs of complying with, any order, direction or Claim of any Governmental Entity. Neither Purchaser nor any of its Representatives shall be entitled to any rights or remedies under the common law or in equity or under any law, rule or regulation pertaining to such Environmental and Reclamation Liabilities and Environmental Claims as against Vendor or any of its Affiliates, including the right to name Vendor or any of its Affiliates as a third party to any action commenced by any third party against Purchaser;
- (d) any failure by Vendor to obtain the consent of, or provide notice to, any third party or Governmental Entity required in connection with the consummation of the transactions contemplated by this Agreement;
- (e) the Amended and Restated Indemnity Agreement among Total E&P Canada Ltd., UTS Energy Corporation and Vendor made effective as of the 6<sup>th</sup> day of July, 2010; and
- (f) any Pre-Closing Taxes.

#### **Section 7.2 Partnership's Indemnification of Purchaser**

Partnership shall indemnify, defend and save harmless (on an after tax basis) Purchaser, its successors and assigns and each of their respective Representatives ("**Purchaser's Group**") from and against any and all Losses, Liabilities and Claims suffered or incurred by any of them or made against any of them arising or resulting from or in connection with, directly or indirectly:

- (a) the Retained Assets (and not the Spin-Off Assets) whether occurring before, on or after the Effective Time that arise from or relate to acts, omissions, events or circumstances occurring before, on or after the Effective Time, including Losses, Liabilities and Claims arising from operations relating to the Retained Assets conducted before, on or after the Effective Time (including payment of the costs of such operations) and payment of royalties and similar encumbrances in respect of the production of Petroleum Substances associated with the Retained Assets;
- (b) a breach by Vendor of any representation, warranty, covenant or agreement of Vendor set forth herein or a breach of any covenant, agreement, indemnity, representation or warranty of Vendor in any document delivered in connection herewith; and
- (c) whether arising before, on or after the Effective Time, all Environmental and Reclamation Liabilities and Environmental Claims relating to acts, omissions or occurrences in respect of the Retained Assets before, on or after the Effective Time, including the effects of, and the costs of complying with, any order, direction or Claim of any Governmental Entity. Neither Vendor nor any of its Representatives shall be entitled to any rights or remedies under the common law or in equity or under any law, rule or regulation pertaining to such Environmental and Reclamation Liabilities and Environmental Claims as against Purchaser or any of its Affiliates, including the right to name Purchaser or any of its Affiliates as a third party to any action commenced by any third party against Vendor,

(collectively, the "**Purchaser's Losses**").

#### **Section 7.3 Responsibility Extends to Settlements**

Notwithstanding any provision to the contrary contained in this Article 7, references to Losses in the liability and indemnification obligations prescribed by Section 7.1 and Section 7.2 shall extend to settlements, satisfactions or other compromises with respect to Claims by third parties, provided the Indemnitor has consented to such settlement, satisfaction or other compromise in accordance with Section 7.5(1)(d) below.

#### **Section 7.4 Limitations on Vendor's and Purchaser's Indemnity Obligation**

The indemnities provided in Section 7.1 and Section 7.2 shall not apply to the extent that:

- (a) the Losses, Liabilities or Claims are reimbursed by insurance or are caused by the negligence, wilful default or misconduct following the Closing Date of the Party claiming indemnity;
- (b) such Liabilities have been accounted for by way of the Retained Cash; or
- (c) the aggregate of such Losses, Liabilities and Claims are less than \$250,000, provided that if such Losses, Liabilities or Claims exceed \$250,000, such indemnities shall apply to all Losses, Liabilities and Claims.

#### **Section 7.5 Indemnification Procedure**

- (1) The following procedures shall be applicable to any claim by a Party (the "**Indemnitee**") for indemnification pursuant to this Agreement from another Party (the "**Indemnitor**") in respect of a Claim by a third person:
  - (a) upon the third person Claim being made against or commenced against the Indemnitee, the Indemnitee shall promptly, and in any case within 10 business days of its receipt thereof, provide notice thereof to the Indemnitor. The

notice shall describe the third person Claim in reasonable detail and indicate the estimated amount, if practicable, of the indemnifiable losses that has been or may be sustained by the Indemnitee in respect thereof. If the Indemnitee does not provide notice to the Indemnitor within such 10 business day period, then such failure shall only lessen or limit the Indemnitee's rights to indemnity hereunder to the extent that the defence of the third person Claim was prejudiced by such lack of timely notice;

- (b) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of the third person Claim pursuant hereto, and in the case of a Claim in respect of Taxes, if the Indemnitor has paid all amounts in respect of Taxes that are required to be paid by the Indemnitee, then the Indemnitor shall have the right to do either or both of the following:
    - (i) participate in the investigation and defence of the third person Claim and may also elect to assume carriage of the defence of the third person Claim using legal counsel of its choice and at its sole cost; and/or
    - (ii) settle the third person Claim provided the Indemnitor pays the full monetary amount of the settlement and the settlement does not impose any restrictions or obligations on the Indemnitee;
  - (c) the Indemnitee and the Indemnitor shall co-operate with the other in the defence of the third person Claim, including making available to the other Party, its directors, officers, employees and consultants whose assistance, testimony or presence is of material assistance in evaluation and defending the third person Claim, and all documents, records and other materials in the possession, control of power of such Party that is material to the defence of the third person Claim;
  - (d) the Indemnitee shall not enter into, and the Indemnitor shall not be bound by, any settlement, consent order or other compromise with respect to the third person Claim without the prior written consent of the Indemnitor (which consent shall not be unreasonably withheld or delayed), unless the Indemnitee waives its rights to indemnification in respect of the third person Claim;
  - (e) upon payment of the third person Claim, the Indemnitor shall be subrogated to all Claims the Indemnitee may have relating thereto. The Indemnitee shall give such further assurances and co-operate with the Indemnitor to permit the Indemnitor to pursue such subrogated Claims as reasonably requested by it; and
  - (f) if the Indemnitor has paid an amount pursuant to the indemnification obligations herein and the Indemnitee shall subsequently be reimbursed from any source in respect of the third person Claim from any other person, the Indemnitee shall promptly pay the amount of the reimbursement (including interest actually received) to the Indemnitor, net of Taxes required to be paid by the Indemnitee as a result of any such receipt.
- (2) If an Indemnitee becomes aware of a direct Claim, the Indemnitee will promptly notify the Indemnitor in writing of the direct Claim. Following receipt of notice of a direct Claim, the Indemnitor has 20 business days to investigate the direct Claim and respond in writing. For purposes of the investigation, the Indemnitee shall make available to the Indemnitor the information relied upon by the Indemnitee to substantiate the direct Claim, together with such other information as the Indemnitor may reasonably request. If the Indemnitor disputes the validity or amount of the direct Claim, the Indemnitor shall provide written notice of the dispute to the Indemnitee within the 20 business day period specified above. The dispute notice must describe in reasonable detail the nature of the Indemnitor's dispute. During the 15 business day period immediately following receipt of a dispute notice by the Indemnitee, the Indemnitor and the Indemnitee shall attempt in good faith to resolve the dispute. If the Indemnitor and the Indemnitee fail to resolve the dispute within that 15 business day time period, the Indemnitee is free to pursue all rights and remedies available to it, subject to this Agreement. If the Indemnitor fails to respond in writing to the direct Claim within the 20 business day period specified above, the Indemnitor is deemed to have rejected the direct Claim, in which event the Indemnitee is free to pursue all rights remedies available to it, subject to this Agreement.

#### **Section 7.6 Consequential Damages**

In no event shall a Party be liable for Losses in respect of the covenants, agreements, representations, warranties and indemnities contained in this Agreement or in any certification, agreement or other document furnished pursuant to this Agreement which are consequential, indirect or punitive damages or losses (including any special or incidental loss of any kind) suffered, sustained, paid or incurred by another Party or its respective Representatives, provided that this Section shall not preclude a Party from entitlement to indemnification for such Party's liability to a third person for consequential, indirect or punitive damages or losses which such third person actually suffers, sustains, pays or incurs.

#### **Section 7.7 Limitation on Rights or Remedies**

- (1) Except as provided in this Section 7.7, the indemnities provided for in this Article 7, Section 3.2(2) and Section 4.3 set forth the sole rights and remedies of each Party and its respective Affiliates, directors, officers, employees, agents, trustees and representatives after the date hereof in connection with (i) the transactions contemplated herein, and (ii) any act, omission, circumstance or other matter arising out of, resulting from, attributable to or connected with the breach of any covenant,

representation or warranty herein or in any document delivered in connection with the closing of the transactions contemplated herein made by the other Party, and, subject to the fraud of, wilful misconduct or intentional breach of a covenant by, such other Party, such first mentioned Party and its Representatives shall have no further right or remedy (whether legal, equitable, fiduciary or in tort) whatsoever, against the other Party and its Representatives; provided however, that if the provisions of this Article 7 shall be invalid or unenforceable, Vendor and Purchaser shall have all other rights and remedies available to them under law or in equity.

- (2) The Parties acknowledge that the failure to comply with a covenant or obligation contained in this Agreement may give rise to irreparable injury to a Party inadequately compensable in damages. Accordingly, a Party may seek to enforce the performance of this Agreement by injunction or specific performance upon application to a court of competent jurisdiction without proof of actual damage (and without requirement of posting a bond or other security).
- (3) Nothing in this Agreement in any way restricts or limits the general obligation at Law of an Indemnitee to mitigate any loss which it may suffer or incur by reason of the breach, inaccuracy or failure to perform of any representation, warranty, covenant or obligation of the Indemnitor under this Agreement.

#### **Section 7.8 No Limitation**

Closing of the transactions contemplated herein shall not in any way whatsoever limit, impact or derogate from the indemnities provided for herein.

#### **Section 7.9 Retained Cash; Taxes**

- (1) If the amount of Retained Cash is greater than the actual amount of Pre-Closing Taxes, as finally determined, then the Partnership will promptly pay to Purchaser the difference between the amount of Retained Cash and the actual amount of Pre-Closing Taxes, as finally determined. For greater certainty, if the actual amount of Pre-Closing Taxes is greater than the amount of Retained Cash, then Purchaser shall be required to indemnify Vendor, its successors and assigns for such Pre-Closing Taxes to the amount of such difference pursuant to and in accordance with the terms of Article 7 hereof.
- (2) For greater certainty, any amount payable by Purchaser to Vendor or its successors and assigns under Section 7.1 shall be increased by such additional amount as may be necessary to ensure that the net amount that Vendor or its successors and assigns actually receives is equal to such indemnity payment, after deducting any Taxes (net of all currently available credits, deductions or other tax savings in respect of such Taxes) that Vendor or its successors and assigns is or may be required to pay as a result of the receipt of such indemnity payment (or would have been required to pay if Vendor or its successors and assigns had not claimed any discretionary deductions that, absent the receipt of such indemnity payment, Vendor or its successors and assigns would not otherwise have claimed).

### **ARTICLE 8 MISCELLANEOUS**

#### **Section 8.1 Partnership**

If following the Closing Date the Partnership transfers all or a material part of its properties and assets to any person, the Partnership shall use reasonable commercial efforts to ensure that provisions have been made so that such transferee assumes the obligations of the Partnership under Article 7 hereof; provided, however, that the Partnership shall no longer be bound by this covenant if at any time following the Closing Date Acquiror Parent becomes a general partner of the Partnership.

#### **Section 8.2 Survival**

The representations and warranties contained in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Closing Date for a period of twelve (12) months. Any and all obligations, covenants, indemnities or agreements of whatever nature of the Parties shall survive the closing of the transactions contemplated herein and continue in full force and effect indefinitely; provided always that no Claim in respect of a breach of a representation or warranty under Article 7 shall be made or be enforceable by a Party unless written notice of such claim, with reasonable particulars, is given by such Party to the Party against whom the Claim is made within a period of twelve (12) months from the Closing Date.

#### **Section 8.3 Confidential Information**

Following the Closing Date, to the extent that pursuant to this Agreement Vendor obtains or possesses information with respect to the Spin-Off Assets or Purchaser obtains or possesses information with respect to the Retained Assets, as applicable, such information shall be retained in confidence and shall not be disclosed or used without the prior written consent of the other Party, provided that this Section shall not apply to the extent such information is:

- (a) already in possession of the public or becomes available to the public other than through the act or omission of the receiving Party; or



- (b) acquired independently from a third party that represents that it has the right to disseminate such information at the time it is acquired by the receiving Party.

The disclosure restrictions contained in this Section 8.3 do not apply to disclosure that is required by Law, or any order or authority of any Governmental Entity (unless such Law, order or rule permits the Party to refrain from making such disclosure for confidentiality or other reasons), in which case the disclosing Party may disclose only that portion of the confidential information that it is required to be disclosed and must exercise commercially reasonable efforts to obtain reliable assurance that confidential treatment is given to such confidential information disclosed.

**Section 8.4 Amendment**

This Agreement may not be amended except by a written instrument signed on behalf of each of the Parties.

**Section 8.5 Notices**

Any notice, communication or statement required, permitted or contemplated hereunder shall be in writing and shall be delivered as follows:

- (a) by delivery to a Party between 8:00 a.m. and 5:00 p.m. on a business day at the address of such Party for notices, in which case the notice shall be deemed to have been received by that Party when it is delivered;
- (b) by fax to a Party to the fax number of such Party for notices, in which case, if the notice was faxed prior to 5:00 p.m. on a business day at the address of such Party for notices, the notice shall be deemed to have been received by that Party when it was faxed and if it is faxed on a day which is not a business day at that address or is faxed after 5:00 p.m. on a business day at that address, it shall be deemed to have been received on the next following business day at that address; or
- (c) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by first class registered postage prepaid mail to a Party at the address of such Party for notices, in which case the notice shall be deemed to have been received by that Party on the 5th business day at the address of such Party for notices following the date of mailing.

The addresses and fax number for each Party shall be as follows:

If to Purchaser:

SilverWillow Energy Corporation  
1500, 202 – 6 Avenue SW  
Calgary, AB, T2P 2R9

Attention: [●]

Facsimile: [●]

If to Vendor or Partnership:

c/o Teck Resources Limited  
Suite 3300, 550 Burrard Street  
Vancouver, BC, V6C 0B3

Attention: Corporate Secretary  
Facsimile: 604-699-4729  
E-mail: karen.dunfee@teck.com

**Section 8.6 Right to Change Address**

Any Party may change its address for service by notice to the other Parties, and such changed address for service thereafter shall be effective for all purposes of this Agreement.

**Section 8.7 Counterparts**

This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties by facsimile transmission, electronic delivery, or in original, it being understood that all Parties need not sign the same counterpart.

**Section 8.8 Time**

Time shall be of the essence in this Agreement.

**Section 8.9 Severability**

Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.

**Section 8.10 Entire Agreement; No Third Party Beneficiaries**

This Agreement (together with the documents and instruments delivered by the Parties in connection with this Agreement) and the Arrangement Agreement: (a) constitute the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter hereof; and (b) except as expressly provided, are solely for the benefit of the Parties and their respective successors, legal representatives and assigns and do not confer on any other person any rights or remedies.

**Section 8.11 No Merger**

The covenants, representations, warranties and indemnities contained in this Agreement shall be deemed to be restated in any and all assignments, conveyances, transfers and other documents conveying the interests of Vendor in and to the Spin-Off Assets to Purchaser, subject to any and all time and other limitations contained in this Agreement. There shall not be any merger of any covenant, representation, warranty or indemnity in this Agreement in such assignments, conveyances, transfers and other documents notwithstanding any rule of law, equity or statute to the contrary and such rules are hereby waived.

**Section 8.12 Governing Law**

This Agreement shall in all respects be subject to and be interpreted, construed and enforced in accordance with the laws in effect in the Province of Alberta and the federal laws of Canada applicable therein. Each Party accepts the jurisdiction of the Province of Alberta and all courts of appeal therefrom.

**Section 8.13 Waivers**

No provision of this Agreement shall be deemed to be waived unless such waiver is in writing. Any waiver of any default committed by any of the Parties in the observance or performance of any part of this Agreement shall not extend to or be taken in any manner to effect any other default.

**Section 8.14 Further Assurances; Cooperation**

Each Party shall, at any time and from time to time after date hereof, execute, acknowledge where appropriate and deliver such further instruments and documents and take such other action as may be reasonably requested by another Party in order to carry out the intent and purpose of this Agreement. Vendor agrees that upon receipt after date hereof of cheques, mail or other property or documents which are the property of Purchaser, it will promptly forward such items to Purchaser at its address as set forth in Section 8.5. Purchaser agrees that it will, at the request of Vendor, use its reasonable efforts to make available to Vendor, on a timely basis, those employees whose assistance, testimony or presence is necessary to assist Vendor in investigating and defending any claim by a Governmental Entity against Vendor for Taxes. Purchaser shall, at the request of Vendor, make available to Vendor, or its representatives, on a timely basis, all documents, records and other materials in the possession, control or power of Purchaser, reasonably required by Vendor for its use in investigating or defending any such claim. Vendor agrees that it will reimburse Purchaser for its reasonable costs and expenses in connection with any such cooperation and assistance.

**Section 8.15 Enurement**

This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective successors, receivers, receiver managers, successors and permitted assigns.

*[Rest of page intentionally left blank]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives, on the date first written above.

**SILVERWILLOW ENERGY CORPORATION**

**SILVERBIRCH ENERGY CORPORATION**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

**FRONTIER ENERGY PARTNERSHIP**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

**Schedule "A-1"**  
**Spin-Off Lands and Leases**

**A. AUDET LEASES**

LANDS AND OIL SANDS RIGHTS	REGISTERED INTEREST HOLDER	Legal and Beneficial Interest	ENCUMBRANCES	TITLE DOCUMENTS
TWP 98 RGE 03 W4: SECS. 4-9; 16-21; 28-33 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION	100%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406120418 ISSUED: 2006-12-14
TWP 98 RGE 03 W4: SECS. 1-3; 10-15; 22-27; 34-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION	100%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7407080271 ISSUED: 2007-08-09
TWP RGE : SECS. ; OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	<i>{Confidential information relating to registered interest redacted.}</i>	100%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 043 ISSUED:
TWP .... RGE : SECS. ; OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	<i>{Confidential information relating to registered interest redacted.}</i>	100%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 042 ISSUED:

LANDS AND OIL SANDS RIGHTS	REGISTERED INTEREST HOLDER	Legal and Beneficial Interest	ENCUMBRANCES	TITLE DOCUMENTS
TWP ..... RGE : SECS. ; OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	<i>{Confidential information relating to registered interest redacted.}</i>	100%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 044 ISSUED:

**B. BIRCH MOUNTAIN LEASES\***

LANDS AND OIL SANDS RIGHTS	REGISTERED INTEREST HOLDER	LEGAL AND BENEFICIAL INTEREST	ENCUMBRANCES	TITLE DOCUMENTS
TWP 100 RGE 11 W4: SECS. 6; 7; 18; 19 TWP 100 RGE 12 W4: SECS. 1; 12-13; 24 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION  TECK RESOURCES LIMITED	100%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406090469 ISSUED: 2006-09-07
TWP 100 RGE 11 W4: SECS. 30; 31 TWP 101 RGE 11 W4: SECS. 6; 7 TWP 100 RGE 12 W4: SECS. 25; 36 TWP 101 RGE 12 W4: SECS. 1; 12 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION  TECK RESOURCES LIMITED	100%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406090471 ISSUED: 2006-09-07
TWP 102 RGE 12 W4: SECS. 1-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION  TECK RESOURCES LIMITED	100%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406110513 ISSUED: 2006-11-30
TWP 103 RGE 12 W4: SECS. 1-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION  TECK RESOURCES LIMITED	100%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406110514 ISSUED: 2006-11-30

LANDS AND OIL SANDS RIGHTS	REGISTERED INTEREST HOLDER	LEGAL AND BENEFICIAL INTEREST	ENCUMBRANCES	TITLE DOCUMENTS
TWP 101 RGE 12 W4: SECS. 13-15; 22-27; 34-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION  TECK RESOURCES LIMITED	100%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7407010611 ISSUED: 2007-01-11
TWP 102 RGE 13 W4: SECS. 1-3; 9-12; 14-17 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION  TECK RESOURCES LIMITED	100%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7407010614 ISSUED: 2007-01-11
TWP 102 RGE 13 W4: SECS. 13; 22-27; 34-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION  TECK RESOURCES LIMITED	100%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7407010615 ISSUED: 2007-01-11
TWP 103 RGE 13 W4: SECS. 1-3; 8-17 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION  TECK RESOURCES LIMITED	100%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7407030915 ISSUED: 2007-03-22
TWP 101 RGE 12 W4: SECS. 2; 3; 9-11; 16; 21; 28-33 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION  TECK RESOURCES LIMITED	100%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7408110003 ISSUED: 2008-11-20

\*Reflects the transfer by Teck Resources Limited to Vendor of its 50% interest in the foregoing leases pursuant to the Arrangement.

#### C. JORDAN LEASES\*

LANDS AND OIL SANDS RIGHTS	REGISTERED INTEREST HOLDER	LEGAL AND BENEFICIAL INTEREST	ENCUMBRANCES	TITLE DOCUMENTS
TWP 99 RGE 08 W4: SECS. 1-3; 10-15; 22-27; 34-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION  TECK RESOURCES LIMITED	100%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406120422 ISSUED: 2006-12-14

LANDS AND OIL SANDS RIGHTS	REGISTERED INTEREST HOLDER	LEGAL AND BENEFICIAL INTEREST	ENCUMBRANCES	TITLE DOCUMENTS
TWP 99 RGE 08 W4: SECS. 4-9; 16-21; 28-33 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION  TECK RESOURCES LIMITED	100%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406120423 ISSUED: 2006-12-14

\*Reflects the transfer by Teck Resources Limited to Vendor of its 50% interest in the foregoing leases pursuant to the Arrangement.

## PART 2 - MISCELLANEOUS INTERESTS

### 1. Road Segments with Licence of Occupation (LOC) of:

- LOC 070453 – a road segment that is  $\pm 7.52$  km long in an E/W direction in Township 98, Range 11 – denoted with endpoints “N20” & “N21” on the “UTS 2008-2009 Access Map West of the Athabasca 08-09.pdf” map as provided by Mission Geospatial Ltd., Land Surveyors.
- LOC 080290 – a road segment that is  $\pm 5.35$  km long in a N/S direction in Township 99, Range 11 – denoted with endpoints “N34” & “N35” on the “UTS 2008-2009 Access Map West of the Athabasca 08-09.pdf” map as provided by Mission Geospatial Ltd., Land Surveyors.
- A portion of LOC 072077 – a road segment that is  $\pm 4.51$  km long in a N/S direction in Township 100, Range 12 – denoted with endpoints “N44” & “N45” on the “UTS 2008-2009 Access Map West of the Athabasca 08-09.pdf” map as provided by Mission Geospatial Ltd., Land Surveyors.
- A portion of LOC 072077 – a road segment that is  $\pm 1.12$  km long in a N/S direction in Township 100, Range 12 – denoted with endpoints “N45” & “N46” on the “UTS 2008-2009 Access Map West of the Athabasca 08-09.pdf” map as provided by Mission Geospatial Ltd., Land Surveyors.
- A portion of LOC 070509 – part of a total road segment that is  $\pm 42.31$  km long in a N/S & E/W direction in Township 103, Ranges 11 & 12 – the Miscellaneous Interests will include the portion of the road from the boundary of Township 102 & 103 in Range 11 to the Endpoint in Township 103 and Range 12.

### 2. Sump with Mineral Surface License (MSL) of:

- The sump on the Equinox Lease (014) for Audet – that is MSL #102595 and LOC 101793. This sump lies in Township 98 and Range 11.



**Schedule "A-2"**  
**Retained Lands and Leases**

**A. EQUINOX PROJECT**

<b>LANDS AND OIL SANDS RIGHTS</b>	<b>REGISTERED INTEREST HOLDER</b>	<b>Legal and Beneficial Interest</b>	<b>ENCUMBRANCES</b>	<b>TITLE DOCUMENTS</b>
TWP 98 RGE 10 W4: SECS. 15NWP; 22WP; 26NWP; 27EP; 27W; 31-34; 35WP TWP 98 RGE 11 W4: SECS. 25- 27; 34-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION	50%*	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7400120014 ISSUED: 2000-12-14

\* Note that the complete interest of SilverBirch Energy Corporation is to be transferred to Frontier Energy Partnership pursuant to the Arrangement

**B. FRONTIER PROJECT**

<b>LANDS AND OIL SANDS RIGHTS</b>	<b>REGISTERED INTEREST HOLDER</b>	<b>Legal and Beneficial Interest</b>	<b>ENCUMBRANCES</b>	<b>TITLE DOCUMENTS</b>
TWP 100 RGE 11 W4: SECS. 1-3; 10-15; 22-27; 34-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION	50%*	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7405120311 ISSUED: 2005-12-15
TWP 100 RGE 11 W4: SECS. 4-5; 8; 9; 16; 17; 20; 21 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION	50%*	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406090468 ISSUED: 2006-09-07
TWP 100 RGE 11 W4: SECS. 28; 29; 32; 33 TWP 101 RGE 11 W4: SECS. 4; 5; 8; 9 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION	50%*	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406090470 ISSUED: 2006-09-07
TWP 101 RGE 10 W4: SECS. 6;7 TWP 101	SILVERBIRCH ENERGY	50%*	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE

LANDS AND OIL SANDS RIGHTS	REGISTERED INTEREST HOLDER	Legal and Beneficial Interest	ENCUMBRANCES	TITLE DOCUMENTS
RGE 11 W4: SECS. 1-3; 10-12 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	CORPORATION			LSE No.: 7406090477 ISSUED: 2006-09-07
TWP 102 RGE 11 W4: SECS. 1-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION	50%*	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406090840 ISSUED: 2006-09-21
TWP 101 RGE 11 W4: SECS. 13-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION	50%*	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE OIL SANDS BELOW TOP OF LSE No.: 7407010610 ISSUED: 2007-01-11

\* Note that the complete interest of SilverBirch Energy Corporation is to be transferred to Frontier Energy Partnership pursuant to the Arrangement

C. TWIN LAKES

LANDS AND OIL SANDS RIGHTS	REGISTERED INTEREST HOLDER	Legal and Beneficial Interest	ENCUMBRANCES	TITLE DOCUMENTS
TWP 101 RGE 07 W4: SECS. 1-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION	50%*	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406090837 ISSUED: 2006-09-21
TWP 101 RGE 08 W4: SECS. 1-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION	50%*	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406110509 ISSUED: 2006-11-30
TWP 102 RGE 07 W4: SECS. 1-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION	50%*	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406110510 ISSUED: 2006-11-30
TWP 102 RGE 08 W4: SECS. 1-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	SILVERBIRCH ENERGY CORPORATION	50%*	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406110511 ISSUED: 2006-11-30

\* Note that the complete interest of SilverBirch Energy Corporation is to be transferred to Frontier Energy Partnership pursuant to the Arrangement

**Schedule "B"**  
**Calculation of Transferred Working Capital**

*{Confidential information relating to the calculation of projected working capital redacted.}*

**Schedule "C"**  
**Form of Resolution**

"BE IT RESOLVED THAT:

The directors of the Company have determined that the Redemption Amount (as such term is defined in the Series B Preferred Shares) with respect to the Series B Preferred Share at the time of issuance shall be \$●, being the amount equal to the product of: (a) the amount by which the fair market value of the Spin-Off Assets exceeds the Assumed Liabilities at the time of such issuance, and (b) a fraction, the numerator of which is the total number of issued and outstanding Company Common Shares held by Persons other than the Parent immediately after the transaction contemplated in Section 3.1(c) of the Plan of Arrangement and the denominator of which is the total number of issued and outstanding Company Common Shares at the Effective Time (as each such terms are defined in the Plan of Arrangement)."

**Schedule E**  
**Form of Loan Agreement**

Please see attached.

[ON LETTERHEAD OF LENDER]

●, 2012

**SilverBirch Energy Corporation**

●

Attention: [Name], [Title]

Dear Sirs:

**Re: Credit Facility in the Amount of \$20,000,000 for SilverBirch Energy Corporation**

We reference the Arrangement Agreement made as of January 8, 2012, among Teck Resources Limited, as Parent, 8071667 Canada Inc., as Purchaser, and SilverBirch Energy Corporation, as the Company, (as the same may be amended, replaced, restated, supplemented or otherwise modified in accordance with its terms, the "**Arrangement Agreement**"). Capitalized terms used in this letter agreement and not defined herein shall have the respective meanings given to them in the Arrangement Agreement.

Pursuant to Section 5.5 of the Arrangement Agreement, we are pleased to confirm that we are prepared to make a credit facility available to SilverBirch Energy Corporation in accordance with the terms and conditions of this letter agreement and subject to the giving of security as set forth herein.

**Borrower**

The borrower shall be SilverBirch Energy Corporation (the "**Borrower**"), a corporation existing under the federal laws of Canada.

**Lender**

The lender shall be 8071667 Canada Inc. (the "**Lender**"), a corporation existing under the federal laws of Canada.

**Establishment of the Credit Facility**

The Lender hereby establishes a credit facility in favour of the Borrower on the terms and conditions set forth in this letter agreement (the "**Credit Facility**") in the principal amount of \$20,000,000 (the "**Commitment Amount**").

**Purpose of Credit Facility**

The Borrower agrees that the Credit Facility will be applied by the Borrower for the purpose of funding exploration work on the Spin-Off Assets and for general corporate purposes, and will be repaid as provided in this letter agreement.

### **Availability and Non-Revolving Nature of the Credit Facility**

The Commitment Amount may be advanced in one or more advances at any time prior to the earlier of: (a) August 31, 2012; and (b) the date upon which the Arrangement Agreement is terminated for any reason whatsoever. An advance may only be made hereunder if the Borrower has provided a written request to the Lender for such advance not later than 11:00 a.m. (Toronto time) on the day which is three (3) business days (as defined in the Arrangement Agreement) prior to the date such advance is requested to be made.

The Credit Facility does not revolve and the Commitment Amount shall be reduced to the extent of any advances made by the Lender to the Borrower from time to time. Any amount repaid hereunder cannot be reborrowed and reduces the Commitment Amount by the amount repaid.

### **Repayments**

The Borrower shall repay the principal amount outstanding under the Credit Facility, together with all accrued and unpaid interest to the date of such repayment and all costs incurred by the Lender in making this letter agreement, advancing funds and enforcing its rights hereunder including, without limitation, the fees and disbursements of counsel to the Lender, immediately upon the earliest of:

1. the date upon which the Arrangement Agreement is terminated by the Lender pursuant to Sections 8.2(3)(a), (b), (c), (d) or (g) of the Arrangement Agreement; or
2. the date upon which the Arrangement Agreement is terminated by the Borrower pursuant to Section 8.2(4)(b) of the Arrangement Agreement; or
3. the date which is the sixtieth (60<sup>th</sup>) day (or such earlier date as the Borrower may determine) following: (i) the termination of the Arrangement Agreement for any reason whatsoever other than as set forth in paragraphs 1 and 2 above; or (ii) the termination of this letter agreement for any reason whatsoever; or
4. August 31, 2012.

The Borrower shall make any payment required to be made by it to the Lender by depositing the amount of the payment to an account specified by the Lender not later than 11:00 a.m. (Toronto time) on the date the payment is due.

Prior to the termination of the Arrangement Agreement, the Borrower shall only be entitled to prepay the principal amount outstanding under the Credit Facility, together with all accrued and unpaid interest to the date of such prepayment, upon receiving the prior written consent of the Lender (in its sole discretion) to make such prepayment.

### **Interest**

The principal amount of the Credit Facility outstanding from time to time shall bear interest, both before and after maturity, default and judgment, at a rate of interest equal to the Prime Rate plus three and one-half (3.5%) per cent per annum. In this letter agreement, "**Prime Rate**" shall mean the annual rate of interest announced by Royal Bank of Canada from time to



time as being a reference rate then in effect for determining interest rates on Canadian dollar commercial loans made in Canada.

Each determination by the Lender of the Prime Rate applicable from time to time shall, in the absence of manifest error, be *prima facie* evidence thereof. Changes in the Prime Rate in effect at any time shall cause an immediate adjustment of the interest rate payable hereunder without the necessity of any notice to the Borrower.

Interest on amounts outstanding under the Credit Facility shall accrue daily on the basis of actual number of days elapsed in the year of 365 days (or 366 days in a leap-year) and shall, subject to the requirement to repay accrued but unpaid interest at the time of repayment of the principal amount of the Credit Facility in accordance with the provisions of this letter agreement, be payable on final maturity, to the Lender, with interest on overdue interest, as well after as before default, maturity and judgment as hereinafter provided.

Interest on overdue interest and principal under the Credit Facility shall accrue both before and after demand and judgment at the same rate per annum and shall, subject to the requirement to repay accrued but unpaid interest at the time of repayment of principal amount of the Credit Facility in accordance with the provisions of this letter agreement, be payable on final maturity. Any payment of principal or interest which becomes due under the Credit Facility on a day which is not a business day shall be paid on the next following business day, and such extension shall be taken into account for the calculation of interest and overdue interest.

All calculations of interest shall be made by the Lender, and such calculations shall, in the absence of manifest mathematical error, be final, conclusive and binding on the Borrower. The indebtedness of the Borrower in respect of any advance made by the Lender to the Borrower and interest payable hereunder shall, absent manifest mathematical error, be conclusively evidenced by the books and records of the Lender.

For purposes of the *Interest Act* (Canada), (i) whenever any interest or fee under this letter agreement is calculated using a rate based on a year of 365 or 366 days, as applicable, the rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (x) the applicable rate based on a year of 365 or 366 days, as applicable, (y) multiplied by the actual number of days in the calendar year in which the period for which such interest or fee is payable (or compounded) ends, and (z) divided by 365 or 366, as applicable, (ii) the principle of deemed reinvestment of interest does not apply to any interest calculation under this letter agreement, and (iii) the rates of interest stipulated in this letter agreement are intended to be nominal rates and not effective rates or yields.

To the extent permitted by law, any provision of the *Judgment Interest Act* (Alberta) and the *Interest Act* (Canada) which restricts the rate of interest on any judgment debt shall be inapplicable to this letter agreement and is hereby waived by the Borrower.

### **Security and Supporting Agreements**

No amounts shall be advanced under the Credit Facility until the Lender shall have received each of the following security and supporting agreements (the "**Other Loan Documents**") in form and substance satisfactory to the Lender and its counsel:

1. A first fixed and floating charge debenture on all of the assets of the Borrower (the “**Debenture**”).
2. Such further security instruments, assurances and supporting documentation as the Lender may deem necessary or advisable pursuant to paragraph 4 under the heading “Covenants” below.

The Other Loan Documents shall provide for a first priority security interest in all of the assets described in such Other Loan Documents subject only to the Permitted Liens. Any reference in the Arrangement Agreement, this letter agreement or the Other Loan Documents to Liens permitted hereby or thereby and any right of the Borrower to create or suffer to exist Liens permitted hereby or thereby are not intended to and do not and will not subordinate the Liens created by the Other Loan Documents to any such Lien or give priority to any person (as defined in the Arrangement Agreement) over the Lender.

#### **Additional Conditions Precedent to Advances**

The obligation of the Lender to make the initial advance under this letter agreement is subject to the following conditions precedent being met, which conditions precedent are included for the sole benefit of the Lender and are subject to waiver in whole or in part only by the Lender in its discretion:

1. The Borrower has terminated the “Credit Facilities” (as that term is defined in the Arrangement Agreement) and obtained a release of all related security thereunder and a discharge of all related registrations in respect thereof in order to ensure that all obligations under this letter agreement and the Other Loan Documents are secured by first priority Liens on the property and assets of the Borrower.
2. This letter agreement and all of the Other Loan Documents shall have been executed and delivered by the Borrower.
3. The Lender has received evidence that all registrations in respect of the Other Loan Documents (other than registrations in respect of the fixed charge granted by the Borrower in respect of the “Lands” (as defined in the Debenture)) have been made to ensure that all obligations under this letter agreement and the Other Loan Documents are secured by first priority Liens on the property and assets of the Borrower.
4. All of the representations and warranties of the Borrower in the Arrangement Agreement, this letter agreement, in the Other Loan Documents and in all other related documentation delivered to the Lender shall be true and correct as at the date of the advance as if made on such date, and the Borrower shall have complied with all covenants on its part to be performed in the Arrangement Agreement, this letter agreement and the Other Loan Documents such that the Borrower is not then in breach of any of its obligations under the Arrangement Agreement, this letter agreement and the Other Loan Documents.
5. No Event of Default (as hereinafter defined) shall have occurred and be continuing and no event shall have occurred or condition exist which would, with the giving of notice or the passage of time, or both, constitute an Event of Default.

6. The Lender shall have received an opinion from counsel to the Borrower in form and substance satisfactory to the Lender and its counsel, as to such matters as the Lender may reasonably require, including, without limitation, the existence of the Borrower, the due authorization, execution and delivery of this letter agreement and the Other Loan Documents by the Borrower, the creation of valid security interests under the Other Loan Documents, that all registrations necessary to perfect all security interests created by the Other Loan Documents have been made and the enforceability of this agreement and the Other Loan Documents.

The obligation of the Lender to make any additional advances under this letter agreement is subject to the following conditions precedent being met, which conditions precedent are included for the sole benefit of the Lender and are subject to waiver in whole or in part only by the Lender in its discretion:

1. All of the representations and warranties of the Borrower in the Arrangement Agreement, this letter agreement, in the Other Loan Documents and in all other related documentation delivered to the Lender shall be true and correct as at the date of the advance as if made on such date, and the Borrower shall have complied with all covenants on its part to be performed in the Arrangement Agreement, this letter agreement and the Other Loan Documents such that the Borrower is not then in breach of any of its obligations under the Arrangement Agreement, this letter agreement and the Other Loan Documents.
2. No Event of Default (as hereinafter defined) shall have occurred and be continuing and no event shall have occurred or condition exist which would, with the giving of notice or the passage of time, or both, constitute an Event of Default.

### **Representations and Warranties**

In order to induce the Lender to enter into this letter agreement, the Borrower makes in favour of the Lender all of the representations, warranties and agreements set forth in Section 3.1 of the Arrangement Agreement (whether or not the Arrangement Agreement is in effect or has been terminated and whether or not the Borrower is required to continue to make such representations, warranties and agreements pursuant to the Arrangement Agreement), which representations, warranties and agreements are incorporated by reference herein as if fully set forth in this letter agreement (and which representations, warranties and agreements are subject only to the same qualifications as those set forth in the Arrangement Agreement), as of the date hereof and as of the date of making any advances to the Borrower (both before and after giving effect to each such advance), which representations, warranties and agreements shall survive the execution and delivery of this letter agreement.

### **Covenants**

The Borrower covenants and agrees that, so long as this letter agreement is in effect and the Lender shall have any obligations to make advances hereunder and until all amounts owing by the Borrower to the Lender under this letter agreement and the Other Loan Documents are paid in full, the Borrower shall observe and perform all of its covenants set forth in Section 5.1 of the Arrangement Agreement (whether or not the Arrangement Agreement is in effect or has been terminated and whether or not the Borrower is required to continue to comply with such

covenants pursuant to the Arrangement Agreement), which covenants are incorporated by reference herein, *mutatis mutandis*, as if fully set forth in this letter agreement.

In addition to the foregoing, but without limiting the generality thereof, the Borrower covenants and agrees with the Lender that:

1. The representations, warranties and covenants in this letter agreement or contained in any certificates or documents delivered to the Lender pursuant to this letter agreement shall not merge in or be prejudiced by and shall survive any advance of the Credit Facility and shall continue in full force and effect so long as any amounts are owing by the Borrower to the Lender under this letter agreement or the Other Loan Documents (and, for greater certainty, regardless of the termination of the Arrangement Agreement).
2. The Borrower shall, forthwith upon becoming aware of the same, promptly advise the Lender of any Event of Default or non-compliance with the requirements of this letter agreement or the Other Loan Documents.
3. The Borrower shall indemnify the Lender against all losses, damages, reasonable expenses and liabilities incurred or sustained by the Lender as a result of any failure by the Borrower to fulfil the terms and conditions of this letter agreement or the Other Loan Documents.
4. The Borrower will, at the request of the Lender, execute and deliver or cause to be executed and delivered such documents, instruments or certificates as the Lender may reasonably require for the purpose of giving full effect to this letter agreement and the Other Loan Documents. In addition to the foregoing, but without limiting the generality thereof, the Borrower shall promptly cure or cause to be cured any defects in the execution and delivery of this letter agreement or any of the Other Loan Documents or any defects in the validity or enforceability of this letter agreement or any of the Other Loan Documents and at its expense, execute and deliver or cause to be executed and delivered, all such agreements, instruments and other documents (including the filing of any financing statements or financing change statements and the execution of any documents required in order to permit the Lender to register the fixed charge granted by the Borrower in respect of the "Lands" (as defined in the Debenture)) as the Lender may consider necessary or desirable to protect or otherwise perfect the Liens granted pursuant to the Other Loan Documents. For the avoidance of doubt, the Borrower agrees that the Lender may, at any time while any amounts remain owing to the Lender under this letter agreement or the Other Loan Documents, register the fixed charged granted by the Borrower pursuant to the Debenture in respect of the "Lands" (as defined in the Debenture).

#### **Events of Default**

Upon the happening of any of the following events (each an "**Event of Default**"), the Lender may, by notice in writing, accelerate the maturity of the Credit Facility and require immediate payment of all amounts due:

1. If the Borrower fails to pay to the Lender any amount of principal or interest after such principal or interest is due.
2. Except as set forth in (1), if, at any time following the termination of the Arrangement Agreement, the Borrower commits a default under or breaches any of the covenants on its part to be performed in the Arrangement Agreement, this letter agreement or in any of the Other Loan Documents and such default or breach continues for a period of fifteen (15) days or more.
3. If, at any time following the termination of the Arrangement Agreement, any representation or warranty made by the Borrower in the Arrangement Agreement, this letter agreement, in any Other Loan Document or in any related document, agreement or certificate, is found to be false or incorrect in any way and, in the case of any such false or incorrect representation or warranty which is capable of being corrected, shall continue to be incorrect for a period of fifteen (15) days after the representation or warranty is determined to have been false or incorrect.
4. If an order is made or an effective resolution is passed for the winding-up, liquidation, reorganization or dissolution of the Borrower (except for the purposes of a bona fide corporate reorganization previously approved in writing by the Lender), or if the Borrower makes a general assignment for the benefit of creditors or proposal under the *Bankruptcy and Insolvency Act* (Canada), or under similar legislation in any other jurisdiction, or is declared bankrupt, or if a custodian or a sequestrator or a receiver or a receiver and manager or any other officer with similar powers is appointed for the Borrower or its property or any portion of such property.
5. If this letter agreement or any of the Other Loan Documents for any reason ceases to be in full force and effect or is declared null and void or the Other Loan Documents cease to provide a valid and subsisting Lien or security interest on the property therein referred to in priority to all other Liens, or the validity or enforceability of this letter agreement or any of the Other Loan Documents is contested by the Borrower or any other person, or the Borrower denies that it has any further liability or obligation hereunder or thereunder.
6. If any judgment or order for the payment of money in excess of \$1,000,000 is rendered against the Borrower unless the execution of the same shall have been stayed by the order of a competent authority within five (5) business days.
7. If any part of any property of the Borrower having a value (individually or in the aggregate) in excess of \$1,000,000 is taken by any Governmental Entity by the exercise of any power of expropriation or otherwise.
8. If the Borrower fails to pay any indebtedness, or any interest or premium, on indebtedness in excess of \$1,000,000 when due (whether at stated maturity or by required repayment, acceleration, demand or otherwise) and such failure continues after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness; or any other default under any agreement or instrument relating to such indebtedness, or any other event, shall occur and shall continue after the applicable

grace period if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such indebtedness; or any such indebtedness is declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required repayment) prior to its stated maturity.

Upon the occurrence of an Event of Default, the Lender may commence such legal action or proceedings as it, in its sole discretion, deems expedient, including, the commencement of enforcement proceedings under the Other Loan Documents all without any additional notice, presentation, demand, protest, notice of dishonour, entering into of possession of any property or assets, or any other action or notice, all of which are expressly waived by the Borrower.

The rights and remedies of the Lender under this letter agreement and the Other Loan Documents are cumulative and are in addition to, and not in substitution for, any other rights or remedies. Nothing contained in this letter agreement or the Other Loan Documents with respect to the indebtedness or liability of the Borrower to the Lender, nor any act or omission of the Lender with respect to this letter agreement and the Other Loan Documents shall in any way prejudice or affect the rights, remedies and powers of the Lender under this letter agreement and the Other Loan Documents.

#### **Miscellaneous**

In the event of conflict between the provisions of this letter agreement and the provisions of any of the Other Loan Documents, the provisions of this letter agreement shall prevail; provided, however, that nothing herein shall limit or restrict the rights and remedies of the Lender under the Other Loan Documents.

The Lender may assign all or otherwise transfer all or any part of, or may grant participation in all or any part of, its interests in the Credit Facility and in the Other Loan Documents to any other person, and such other person shall then become vested with all the rights granted to the Lender in this letter agreement or otherwise. This letter agreement may not be assigned by the Borrower without the prior written consent of the Lender.

Any notice, direction or other communication required or permitted to be given under this letter agreement shall be in writing and given by delivering it in accordance with Section 9.1 of the Arrangement Agreement. Any communication shall be deemed to have been validly and effectively given (i) if personally delivered, on the date of such delivery if such date is a business day and such delivery was made prior to 4:00 p.m. (Toronto time), (ii) if transmitted by facsimile or similar means of recorded communication on the business day following the date of transmission. Any party may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to the party at its changed address.

Any reference to this letter agreement, any Other Loan Document or any other agreement refers to this letter agreement, any Other Loan Document or other agreement as the same may have been or may from time to time be amended, modified, extended, renewed, restated, replaced or supplemented, novated and includes all schedules attached to it.

No failure on the part of the Lender to exercise, and no delay in exercising, any right under any of this letter agreement and the Other Loan Documents shall operate as a waiver of such right; nor shall any single or partial exercise of any right under this letter agreement or any of the Other Loan Documents preclude any other or further exercise of such right or the exercise of any other right.

Except as otherwise expressly provided in this letter agreement, the covenants, representations and warranties shall not merge on and shall survive each advance and, notwithstanding such advances or any investigation made by or on behalf of any party, shall continue in full force and effect. The closing of this transaction shall not prejudice any right of one party against any other party in respect of anything done or omitted under this letter agreement or in respect of any right to damages or other remedies.

The provisions of Sections 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 9.2, 9.4, 9.6, 9.8 and 9.9 of the Arrangement Agreement are incorporated by reference into this letter agreement and shall apply to this letter agreement, *mutatis mutandis*.

Please evidence your approval and acceptance of this letter agreement by signing and returning the enclosed copy on or before ●, 2012.

Yours truly,

**8071667 CANADA INC.**

By: \_\_\_\_\_  
Authorized Signing Officer

By: \_\_\_\_\_  
Authorized Signing Officer

The undersigned agrees to and accepts this letter agreement on and subject to its terms and conditions.

**SILVERBIRCH ENERGY CORPORATION**

By: \_\_\_\_\_  
Authorized Signing Officer

By: \_\_\_\_\_  
Authorized Signing Officer



**Schedule F**  
**Birch Mountain and Jordan Leases**

**A. BIRCH MOUNTAIN LEASES**

<b>LANDS AND OIL SANDS RIGHTS</b>	<b>REGISTERED INTEREST HOLDER</b>	<b>LEGAL AND BENEFICIAL INTEREST</b>	<b>ENCUMBRANCES</b>	<b>TITLE DOCUMENTS</b>
TWP 100 RGE 11 W4: SECS. 6; 7; 18; 19 TWP 100 RGE 12 W4: SECS. 1; 12-13; 24 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	Teck Resources Limited	50%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406090469 ISSUED: 2006-09-07
TWP 100 RGE 11 W4: SECS. 30; 31 TWP 101 RGE 11 W4: SECS. 6; 7 TWP 100 RGE 12 W4: SECS. 25; 36 TWP 101 RGE 12 W4: SECS. 1; 12 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	Teck Resources Limited	50%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406090471 ISSUED: 2006-09-07
TWP 102 RGE 12 W4: SECS. 1-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	Teck Resources Limited	50%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406110513 ISSUED: 2006-11-30
TWP 103 RGE 12 W4: SECS. 1-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	Teck Resources Limited	50%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406110514 ISSUED: 2006-11-30
TWP 101 RGE 12 W4: SECS. 13-15; 22-27; 34-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	Teck Resources Limited	50%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7407010611 ISSUED: 2007-01-11
TWP 102 RGE 13 W4: SECS. 1-3; 9-12; 14-17 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	Teck Resources Limited	50%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7407010614 ISSUED: 2007-01-11
TWP 102 RGE 13 W4: SECS. 13; 22-27; 34-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	Teck Resources Limited	50%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7407010615 ISSUED: 2007-01-11

LANDS AND OIL SANDS RIGHTS	REGISTERED INTEREST HOLDER	LEGAL AND BENEFICIAL INTEREST	ENCUMBRANCES	TITLE DOCUMENTS
TWP 103 RGE 13 W4: SECS. 1-3; 8-17 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	Teck Resources Limited	50%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7407030915 ISSUED: 2007-03-22
TWP 101 RGE 12 W4: SECS. 2; 3; 9-11; 16; 21; 28-33 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	Teck Resources Limited	50%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7408110003 ISSUED: 2008-11-20

#### B. JORDAN LEASES

LANDS AND OIL SANDS RIGHTS	REGISTERED INTEREST HOLDER	LEGAL AND BENEFICIAL INTEREST	ENCUMBRANCES	TITLE DOCUMENTS
TWP 99 RGE 08 W4: SECS. 1-3; 10-15; 22-27; 34-36 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	Teck Resources Limited	50%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406120422 ISSUED: 2006-12-14
TWP 99 RGE 08 W4: SECS. 4-9; 16-21; 28-33 OIL SANDS BELOW TOP OF VIKING FM TO BASE WOODBEND GRP	Teck Resources Limited	50%	CROWN ROYALTY	LSE TYPE: OIL SANDS LEASE LSE No.: 7406120423 ISSUED: 2006-12-14

## **APPENDIX D – PLAN OF ARRANGEMENT**

**PLAN OF ARRANGEMENT  
UNDER SECTION 192 OF THE  
CANADA BUSINESS CORPORATIONS ACT**

**ARTICLE 1  
DEFINITIONS AND INTERPRETATION**

**Section 1.1 Definitions**

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, terms used herein that are not defined have the meanings ascribed thereto in the Arrangement Agreement, and the following terms shall have the respective meanings set out below and grammatical variations of those terms shall have corresponding meanings:

**“Arrangement”** means an arrangement under Section 192 of the CBCA on the terms and subject to the conditions set out herein, subject to any amendments or variations hereto made in accordance with the terms of the Arrangement Agreement, the provisions of the Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of the Company and the Purchaser, each acting reasonably;

**“Arrangement Agreement”** means the agreement made as of January 8, 2012, among the Parent, the Purchaser and the Company as the same may be supplemented or amended from time to time in accordance with its terms;

**“Arrangement Resolution”** means the special resolution of the Company Shareholders approving the Arrangement in accordance with the Interim Order;

**“Articles of Arrangement”** means the articles of arrangement in respect of the Arrangement required under subsection 192(6) of the CBCA to be filed with the Director after the Final Order has been granted;

**“Assumed Liabilities”** has the meaning accorded to the term in the Transfer Agreement;

**“Business Day”** means any day, other than a Saturday, a Sunday and a statutory holiday in Calgary, Alberta or Vancouver, British Columbia;

**“Cash Consideration”** means \$8.50 per Company Common Share to be received by a Company Shareholder (other than a Dissenting Shareholder) pursuant to Section 3.1(i) or Section 3.1(n), as applicable;

**“CBCA”** means the Canada Business Corporations Act, R.S.C. 1985, c. C-44 and the regulations thereto, as now in effect and as it may be amended from time to time prior to the Effective Time;

**"Certificate of Arrangement"** means the certificate of arrangement to be issued by the Director pursuant to subsection 192(7) of the CBCA in respect of the Articles of Arrangement and giving effect to the Arrangement;

**"Circular"** means the notice of the Company Meeting and the accompanying Company management information circular, including all schedules, appendices and exhibits thereto, and information incorporated by reference therein, to be sent to the Company Shareholders in connection with the Company Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of the Arrangement Agreement;

**"Company"** means SilverBirch Energy Corporation, a corporation existing under the federal laws of Canada and includes its successors thereto, as the context requires;

**"Company Class A Shares"** means the Class A Shares in the capital of the Company to be created and issued pursuant to the terms hereof;

**"Company Class B Shares"** means the Class B Shares in the capital of the Company to be created and issued pursuant to the terms hereof

**"Company Common Shares"** means the common shares in the capital of Company at the time immediately prior to the Effective Time;

**"Company Option Holder"** means a holder of Company Options;

**"Company Options"** means the share purchase options of the Company granted under the Company Option Plan;

**"Company Option Plan"** means the amended and restated stock option plan of the Company effective as of September 30, 2010;

**"Company Preferred Shares, Series 2"** means the Series 2 preferred shares in the capital of the Company having the terms and conditions specified in Schedule 1;

**"Company Preferred Shares, Series 3"** means the Series 3 preferred shares in the capital of the Company having the terms and conditions specified in Schedule 2;

**"Company Shareholder"** means a holder of Company Common Shares, Company Class A Shares or Company Class B Shares, as the case may be;

**"Contributed Amount"** means \$25,000,000, less the amount of the Frontier Costs immediately prior to the Effective Date and less the principal amount outstanding under the Loan immediately prior to the Effective Date;

**"Court"** means the Court of Queen's Bench of Alberta;

**"Depository"** means such institution as the Purchaser may determine with the approval of the Company, acting reasonably;

**“Director”** means the Director appointed under Section 260 of the CBCA;

**“Dissent Rights”** means the Dissent Rights in respect of the Arrangement described in Section 5.1;

**“Dissenting Shares”** means the Company Common Shares held by Dissenting Shareholders;

**“Dissenting Shareholder”** means a Holder of Company Common Shares who has duly and validly exercised its Dissent Rights pursuant to Article 5 and the Interim Order and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights;

**“Effective Date”** means the effective date of the Arrangement, being the date shown on the Certificate of Arrangement;

**“Effective Time”** means 12:01 a.m. (Calgary time) on the Effective Date or such other time on the Effective Date as may be agreed to in writing by Company and the Purchaser;

**“Final Order”** means the final order of the Court approving the Arrangement pursuant to subsection 192(4) of the CBCA, in a form acceptable to the Company and the Purchaser, each acting reasonably, as such order may be amended by the Court (with the consent of both the Company and the Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both the Company and the Purchaser, each acting reasonably) on appeal;

**“Frontier Costs”** has the meaning accorded to the term in the Arrangement Agreement;

**“Frontier Partnership”** means Frontier Energy Partnership, a general partnership to be formed under the laws of Alberta by the Company and PartnerCo pursuant to and in accordance with Section 5.2 of the Arrangement Agreement;

**“Frontier Partnership Contribution Agreement”** means an agreement in the form approved by the Purchaser to be entered into between the Company, PartnerCo and Frontier Partnership dated as of the Effective Date, pursuant to which, among other things, the Retained Assets will be transferred to Frontier Partnership pursuant to the Arrangement;

**“Holder”** means a registered holder of Company Common Shares or Company Options, as the case may be;

**“Interim Order”** means the interim order of the Court under subsection 192(4) of the CBCA in a form acceptable to the Company and the Purchaser, each acting reasonably, as contemplated by Section 2.3 of the Arrangement Agreement

providing for, among other things, the calling and holding of the Company Meeting, as the same may be amended by the Court with the consent of the Company and the Purchaser, each acting reasonably;

“**ITA**” means the Income Tax Act (Canada), as amended, and any regulations promulgated thereunder;

“**Letters of Transmittal**” means the letter of transmittal forms to be delivered by the Company to Company Shareholders in respect of the Company Common Shares (on blue coloured paper);

“**Liens**” means any mortgage, hypothec, prior claim, lien, pledge, assignment for security, security interest, guarantee, third party right or other charge or encumbrance, or any collateral securing the payment obligations of any person, as well as any other agreement or arrangement with similar effect whatsoever;

“**Loan**” means the senior secured loan in the principal amount of up to \$20 million provided by the Purchaser to the Company as contemplated by Section 5.5 of the Arrangement Agreement;

“**Newco**” means SilverWillow Energy Corporation, a corporation incorporated under the CBCA as a wholly-owned subsidiary of the Company in order to facilitate the Arrangement;

“**Newco Common Shares**” means the common shares in the capital of Newco;

“**Newco Preferred Share**” means a Series B preferred share in the capital of Newco having the terms and conditions specified in Schedule 4;

“**Newco Promissory Note**” means the demand non-interest bearing promissory note of Newco issued pursuant to Section 3.1(h) in a principal amount equal to the Newco Redemption Amount;

“**Newco Redemption Amount**” means the aggregate redemption amount of the Newco Preferred Shares as determined in accordance with the Transfer Agreement;

“**Newco Share Consideration**” means one Newco Common Share per Company Common Share to be received pursuant to Section 3.1(i) by the holders of Company Common Shares who are Non-Resident;

“**Non-Resident**” means: (i) a person who is not a resident of Canada for the purposes of the ITA; or (ii) a partnership that is not a “Canadian partnership” for the purposes of the ITA;

“**Parent**” means Teck Resources Limited, a company existing under the federal laws of Canada;

“**PartnerCo**” means a new company to be incorporated by the Company under the CBCA for purposes of becoming a partner in Frontier Partnership as contemplated by Section 5.2 of the Arrangement Agreement;

“**PartnerCo Shares**” means common shares in the capital of PartnerCo;

“**Plan of Arrangement**”, “**hereof**”, “**herein**”, “**hereunder**” and similar expressions means this plan of arrangement, including any appendices hereto, and any amendments, variations or supplements hereto made from time to time in accordance with the terms hereof, the Arrangement Agreement or made at the direction of the Court with the consent of the Company and the Purchaser, each acting reasonably;

“**Purchaser**” means 8071667 Canada Inc., a company existing under the federal laws of Canada, a wholly-owned subsidiary of Parent, and includes its successors thereto, as the context requires;

“**Redemption Amount**” means with respect to the Company Class B Shares, the amount determined by the directors at the time of issuance of such Company Class B Shares, being an amount per share equal to (A) the amount by which the fair market value of the Spin-Off Assets exceeds the Assumed Liabilities at the time such Company Class B Shares are issued, divided by (B) the number of such Company Class B Shares so issued;

“**Retained Assets**” has the meaning set out in the Arrangement Agreement;

“**Shareholder Rights Plan**” means the Shareholder Rights Agreement between the Company and Equity Financial Trust Company (formerly Equity Transfer & Trust Company) dated as of September 30, 2010;

“**Spin-Off Assets**” has the meaning set out in the Arrangement Agreement;

“**Transfer Agreement**” means the agreement to be entered into between the Company and Newco dated as of the Effective Date concerning the transfer of the Spin-Off Assets to Newco pursuant to the Arrangement; and

“**Transferred Leases**” has the meaning set out in the Arrangement Agreement.

### **Section 1.2 Interpretation Not Affected by Headings, etc.**

The division of this Plan of Arrangement into Articles, Sections, paragraphs and other portions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof. Unless otherwise indicated, all references to an “Article”, “Section” or “paragraph” followed by a number and/or a letter refer to the specified Article, Section or paragraph of this Plan of Arrangement.

### **Section 1.3 Number and Gender**

In this Plan of Arrangement, unless the context otherwise requires, words used herein importing the singular include the plural and vice versa. Words importing gender



include all genders. The words “include”, “includes” and “including” shall be deemed to be followed by the words “without limitation”.

**Section 1.4 Date of Any Action**

In the event that any date on which any action is required to be taken hereunder by any of the parties hereto is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

**Section 1.5 Time**

Time shall be of the essence in every matter or action contemplated hereunder. All times expressed herein or in the Letter of Transmittal are local time in Calgary, Alberta unless otherwise stipulated herein or therein.

**Section 1.6 Currency**

Unless otherwise stated, all references in this Plan of Arrangement to sums of money are expressed in lawful money of Canada.

**Section 1.7 Schedules**

The following schedules are attached to this Plan of Arrangement and are incorporated in and form part hereof:

- Schedule 1- Conditions of Company Preferred Shares, Series 2
- Schedule 2- Conditions of Company Preferred Shares, Series 3
- Schedule 3- Conditions of Share Classes of the Company
- Schedule 4- Conditions of Newco Preferred Shares

**ARTICLE 2  
EFFECT OF THE ARRANGEMENT**

**Section 2.1 Arrangement Agreement**

This Plan of Arrangement is made pursuant to, is subject to the provisions of and forms part of, the Arrangement Agreement.

**Section 2.2 Binding Effect**

This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issuance of the Certificate of Arrangement, will become effective at, and be binding upon, the Company, the registered and beneficial Company Shareholders, the registered and beneficial Company Option Holders, Newco, PartnerCo, Frontier Partnership, the Parent and the Purchaser as and from the Effective Time, without any further act or formality required on the part of any person except as expressly provided herein.

**Section 2.3 Certificate of Arrangement**

The Articles of Arrangement and the Certificate of Arrangement shall be filed and issued, respectively, with respect to the Arrangement in its entirety. The Certificate of Arrangement shall be conclusive evidence that the Arrangement has become effective and

that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein.

#### **Section 2.4 Effective Time**

Other than as expressly provided for herein, no portion of this Plan of Arrangement shall take effect with respect to any Party or person until the Effective Time. Further, each of the events listed in Article 3 shall be, without affecting the timing set out in Article 3, mutually conditional, such that no event described in Article 3 may occur without all steps occurring, and those events shall effect the integrated transaction which constitutes the Arrangement.

### **ARTICLE 3 ARRANGEMENT**

#### **Section 3.1 The Arrangement**

At the Effective Time, without any further act or formality, each of the events set out below shall occur and be deemed to occur in the following sequence and at the times specified below, unless specifically noted:

- (a) At the Effective Time, the Shareholder Rights Plan shall be terminated and all rights issued thereunder shall be extinguished without the payment of any consideration therefor;
- (b) Five minutes following the Effective Time, all unexercised Company Options and the Company Option Plan shall be cancelled and be of no further force and effect and none of the Company, the Parent, the Purchaser, Newco or any of their respective affiliates or successors shall have any liability in respect thereof;
- (c) Ten minutes following the Effective Time and subject to Section 5.1, the Company Common Shares held by Dissenting Shareholders in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred to the Parent (free and clear of any Liens) without any further act or formality in exchange for a debt claim against the Parent to be paid fair value in respect of such Company Common Shares as set out in Section 5.1, and:
  - (i) such Dissenting Shareholders shall cease to be the holders of such Company Common Shares and to have any rights as holders of such Company Common Shares other than the right to be paid fair value for such Company Common Shares as set out in Section 5.1; and
  - (ii) such Dissenting Shareholders' names shall be removed as the holders of such Company Common Shares from the registers of Company Common Shares maintained by or on behalf of Company and the Parent shall be entered in the central securities register of the Company as the holder thereof;

- (d) Fifteen minutes following the Effective Time, the articles of the Company shall be amended to create an unlimited number of Company Preferred Shares, Series 2, and the Company shall issue to the Parent one Company Preferred Share, Series 2 in consideration for the transfer by the Parent of the Transferred Leases to the Company, and the assumption by the Company of all liabilities relating thereto, which Company Preferred Share, Series 2 shall have a redemption amount equal to the amount by which the fair market value of the Transferred Leases exceed the related assumed liabilities at the time of issuance. In connection with such transfer, a joint election under subsection 85(1) of the ITA and under any relevant provincial legislation will be filed in the manner and within the time prescribed by applicable Law, and the agreed amount in respect of such election will be the minimum permitted amount;
  
- (e) Twenty minutes following the Effective Time, and pursuant to the terms of the Frontier Partnership Contribution Agreement:
  - (i) the Company shall transfer a 0.01% interest in the Retained Assets to PartnerCo in consideration for 100 PartnerCo Shares. In connection with such transfer, an election under subsection 85(1) of the ITA and under any relevant provincial legislation shall be filed in the manner and within the time prescribed by applicable Law, and the agreed amount in respect of such election will be the minimum permitted amount, or if Parent and the Company so agree in writing at any time prior to the Effective Time, such other amount as may be determined subsequent to the Effective Date by the Company in its sole discretion;
  
  - (ii) the Company will contribute a 99.99% interest in the Retained Assets to Frontier Partnership. In connection with such transfer, an election under subsection 97(2) of the ITA, and under any relevant provincial legislation shall be filed in the manner and within the time prescribed by applicable Law, and the agreed amount in respect of such election will be the minimum permitted amount, or if Parent and the Company so agree in writing at any time prior to the Effective Time, such other amount as may be determined subsequent to the Effective Date by the Company in its sole discretion; and
  
  - (iii) PartnerCo will contribute the interest in the Retained Assets transferred to it by the Company pursuant to Section 3.1(e)(i) to Frontier Partnership. In connection with such transfer, an election under subsection 97(2) of the ITA, and under any relevant provincial legislation shall be filed in the manner and within the time prescribed by applicable Law, and the agreed amount in respect of such election will be the minimum permitted amount, or if Parent and the Company so agree in writing at any time prior to the Effective Time,

such other amount as may be determined subsequent to the Effective Date by the Company in its sole discretion,

such that following such steps, all of the Retained Assets have been contributed to and become the property of Frontier Partnership;

- (f) Twenty-five minutes following the Effective Time, the Purchaser will advance the Contributed Amount to the Company as a non-interest bearing loan, and for this purpose the amount certified by the Purchaser in good faith on the Effective Date to be the amount of the Frontier Costs immediately prior to the Effective Date and the principal amount outstanding under the Loan immediately prior to the Effective Date shall be conclusive;
- (g) Thirty minutes following the Effective Time, the articles of Newco will be amended to create an unlimited number of Newco Preferred Shares, and the Transfer Agreement shall become effective and the Company will transfer the Spin-Off Assets to Newco pursuant to the terms of the Transfer Agreement in consideration for:
  - (i) the issuance by Newco to the Company of one Newco Preferred Share having a redemption amount equal to the Newco Redemption Amount;
  - (ii) the issuance by Newco to the Company of that number of Newco Common Shares equal to:
    - (A) the total number of Company Common Shares held by the Parent thirty minutes following the Effective Time, minus
    - (B) the number of Newco Common Shares outstanding immediately prior the Effective Time; and
  - (iii) the assumption by Newco of the Assumed Liabilities;

in each case, all as is more specifically described in the Transfer Agreement. In connection with such transfers, a joint election will be filed under subsection 85(1) of the ITA and under any relevant provincial legislation in accordance with the Transfer Agreement;

- (h) Thirty-five minutes following the Effective Time, the Newco Preferred Shares shall be redeemed by Newco in consideration of the payment of the Newco Redemption Amount, which shall be satisfied by the issuance by Newco to the Company of the Newco Promissory Note;
- (i) Forty minutes following the Effective Time, each issued and outstanding Company Common Share held by a Non-Resident shall be transferred to the Purchaser (free and clear of all Liens) in exchange for:

- (i) the Cash Consideration; and
  - (ii) as additional consideration for each such Company Common Share transferred to the Purchaser, the Purchaser shall transfer to such Non-Resident the Newco Share Consideration pursuant to Section 3.1(m);
- (j) Forty-five minutes following the Effective Time, the capital of the Company shall be reorganized by amending the articles of the Company as follows:
- (i) creating a new class of shares designated as “Class A Shares”, in an unlimited number, having the rights, privileges, restrictions and conditions set out in Part 1 of Schedule 3 attached hereto; and
  - (ii) creating a new class of shares designated as “Class B Shares”, in an unlimited number, having the rights, privileges, restrictions and conditions set out in Part 2 of Schedule 3 attached hereto;

and concurrently therewith each then issued and outstanding Company Common Share (including those Company Common Shares acquired by the Parent pursuant to Section 3.1(c) and by the Purchaser pursuant to Section 3.1(i)) will be deemed to be exchanged (without any action on the part of the holder of the Company Common Shares) for one Company Class A Share and one Company Class B Share and the Company Common Shares so exchanged shall thereupon be cancelled. No other consideration will be received by any holder of the Company Common Shares. The Company will not file a joint election under subsection 85(1) or subsection 85(2) of the ITA, or any relevant provincial legislation, with any holder of Company Common Shares (other than the Parent or the Purchaser) in respect of this share exchange.

Upon the exchange contemplated by Section 3.1(j), the stated capital account maintained in respect of the Company Class B Shares shall be an amount equal to the lesser of:

- (i) the aggregate paid-up capital (within the meaning of the ITA) of the Company Common Shares immediately before such exchange; and
- (ii) the aggregate Redemption Amount in respect of the Class B Shares,

and the stated capital account maintained in respect of the Company Class A Shares shall be an amount equal to the amount, if any, by which the aggregate paid-up capital (within the meaning of the ITA) of the Company Common Shares immediately before such exchange exceeds the amount allocated to the stated capital of the Company Class B Shares as determined in accordance with the foregoing.

Upon the exchange contemplated by Section 3.1(j), each holder of Company Common Shares so exchanged shall be deemed to cease to be the holder of

the Company Common Shares so exchanged, shall cease to have any rights with respect to such Company Common Shares and shall be deemed to be the holder of the number of Company Class A Shares and Company Class B Shares issued to such holder. The name of each such registered holder shall be removed from the central securities register of the Company in respect of the Company Common Shares so exchanged and shall be added to the central securities register of the Company as the holder of the number of Company Class A Shares and Company Class B Shares so issued to such holder, and each such holder shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to exchange such shares as described in Section 3.1(j). Upon completion of such exchange and cancellation of the Company Common Shares, the Company's articles shall be amended to delete the Company Common Shares as an authorized class of shares and the appropriate entries shall be made in the central securities register of the Company;

- (k) Fifty minutes following the Effective Time, each Company Class B Share (other than any Company Class B Shares held by the Parent at such time but including any Company Class B Shares acquired by the Purchaser pursuant to Section 3.1(j)) will be transferred to Newco (free and clear of any Liens) in consideration for the issuance by Newco of one Newco Common Share for each Company Class B Share transferred to it. Newco will not file a joint election under subsection 85(1) or subsection 85(2) of the ITA, or any relevant provincial legislation, with any holder of Company Class B Shares (other than the Purchaser) in respect of this share transfer. The stated capital account of the Newco Common Shares shall be an amount equal to the aggregate stated capital of the Company Class B Shares transferred to Newco pursuant to this Section 3.1(k). In connection with such transfer, each holder of Company Class B Shares so transferred shall be deemed to cease to be the holder of the Company Class B Shares so transferred and shall be deemed to be the holder of the number of Newco Common Shares issued to such holder in consideration for such transfer. The name of each such registered holder shall be removed from the central securities register of the Company in respect of the Company Class B Shares so transferred and shall be added to the central securities register of Newco as the registered holder of the number of the Newco Common Shares so issued to such holder, and Newco shall be and shall be deemed to be the transferee of the Company Class B Shares so transferred and the name of Newco shall be entered in the central securities register of the Company in respect of the Company Class B Shares so transferred to Newco;
- (l) Immediately after completion of the exchange contemplated by Section 3.1(k), the Company Class B Shares held by Newco will be redeemed in consideration of the cancellation of the Newco Promissory Note. The redeemed Company Class B Shares shall be cancelled and the appropriate entry made on the central securities register of the Company. All notices, consents, releases, assignments, waivers (including a waiver of notice of

redemption), statutory or otherwise, required to redeem the Company Class B Shares as described above shall be deemed given by each of the Company and Newco, as applicable;

- (m) Fifty-five minutes following the Effective Time, the Purchaser shall transfer to each Non-Resident whose Company Common Shares were transferred to the Purchaser pursuant to Section 3.1(i) such number of Newco Common Shares as are transferable to such Non-Resident pursuant to Section 3.1(i);
- (n) Sixty minutes following the Effective Time, each issued and outstanding Company Class A Share (other than those held by either the Parent or the Purchaser) shall be transferred to the Purchaser (free and clear of any Liens) in exchange for the Cash Consideration; and
  - (i) the holders of such Company Class A Shares immediately prior to such transfer shall cease to be the holders thereof and to have any rights as holders of such Company Class A Shares other than the right to be paid the Cash Consideration per Company Class A Share in accordance with this Plan of Arrangement;
  - (ii) the name of each such registered holders shall be removed from the central securities register of the Company with respect to such Company Class A Shares; and
  - (iii) the Purchaser shall, and shall be deemed to be, the transferee of such shares (free and clear of any Liens) and shall be entered in the central securities register of the Company as the holder thereof;
- (o) Sixty-five minutes following the Effective Time, the articles of the Company shall be amended to create an unlimited number of Company Preferred Shares, Series 3, and the Company shall issue to the Purchaser one Company Preferred Share, Series 3 in satisfaction of the amounts owing by the Company to the Purchaser in respect of the Loan, the Frontier Costs, and the Contributed Amount contemplated in Section 3.1(f), which Company Preferred Share, Series 3 shall have a redemption amount equal to the aggregate of such amounts owing; and
- (p) Seventy minutes following the Effective Time, all Company Class A Shares, Company Class B Shares, Company Preferred Shares, Series 2 and Company Preferred Shares, Series 3 in the capital of the Company owned by the Parent shall be transferred to the Purchaser in consideration for the issuance by the Purchaser to the Parent of such number of additional common shares of the Purchaser as have a fair market value equal to the shares of the Company so transferred to the Purchaser. In connection with such transfer, a joint election will be filed under subsection 85(1) of the ITA and under any relevant provincial legislation, in the manner and within the time prescribed by applicable law, and at an agreed amount to be determined by Parent.

**Section 3.2 Letters of Transmittal**

The Letters of Transmittal shall be prepared by the Purchaser and shall be in a form approved and sent by Company to each Company Shareholder of record together with the Circular.

**Section 3.3 Deemed Fully Paid and Non-Assessable Shares**

All Company Class A Shares, Company Class B Shares, Company Preferred Shares, Series 2, Company Preferred Shares, Series 3, Newco Common Shares and Newco Preferred Shares issued pursuant hereto shall be deemed to be validly issued and outstanding as fully paid and non-assessable shares for all purposes of the CBCA.

**Section 3.4 Supplementary Actions**

Notwithstanding that the transaction and events set out in Section 3.1 shall occur and shall be deemed to occur in the order therein set out without any act or formality, the Company, Newco, PartnerCo, Frontier Partnership, the Parent and the Purchaser shall be required to make, do and execute or cause and procure to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be required to further document or evidence any of the transactions or events set out in Section 3.1, including without limitation, any resolutions of directors authorizing the issue, exchange, transfer, redemption or purchase for cancellation of shares, any share transfer powers evidencing the transfer of shares and any receipt therefor, any promissory notes and receipts therefor, and any necessary addition to or deletions from share registers or other registries.

**ARTICLE 4  
CERTIFICATES AND DOCUMENTATION**

**Section 4.1 Company Class A Share Certificates**

No new share certificates shall be issued with respect to the Company Class A Shares issued in connection with the Arrangement.

**Section 4.2 Company Class B Share Certificates**

Recognizing that all of the Company Class B Shares issued to the Company Shareholders will subsequently be transferred to Newco in exchange for Newco Common Shares and will thereafter be redeemed (other than in each case those issued to the Parent), no share certificates shall be issued with respect to the Company Class B Shares issued and outstanding in connection with the Arrangement to any person other than the Parent.

**Section 4.3 Newco Common Share Certificates**

As soon as practicable after the Effective Time, Newco shall cause to be issued to the registered holders of Newco Common Shares on the Effective Date following the completion of the steps contemplated by Section 3.1 hereof, share certificates representing the number of the Newco Common Shares to which such holders are entitled following the Effective Date and shall cause such certificates to be delivered or mailed to such holder in accordance with the terms hereof.



## **ARTICLE 5 DISSENT RIGHTS**

### **Section 5.1 Dissent Rights**

Holders of Company Common Shares may exercise Dissent Rights with respect to Company Common Shares in connection with the Arrangement pursuant to the procedure set forth in Section 190 of the CBCA as modified by the Interim Order or the Final Order. Dissenting Shareholders who duly exercise their Dissent Rights shall be deemed to have transferred the Company Common Shares held by them and in respect of which Dissent Rights have been validly exercised to the Parent free and clear of all Liens, as provided in Section 3.1(c) of the Plan of Arrangement, and if they:

- (a) are ultimately entitled to be paid fair value for their Company Common Shares, shall be paid an amount equal to such fair value by the Parent and will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such Company Shareholders not exercised their Dissent Rights in respect of such Company Common Shares; or
- (b) are ultimately not entitled, for any reason, to be paid fair value for their Company Common Shares, shall be deemed to have participated in the Arrangement, as of the Effective Time, on the same basis as a non-dissenting holder of Company Common Shares and shall be entitled to receive only the consideration contemplated in Section 3.1 hereof that such Company Shareholder would have received pursuant to the Arrangement if such Company Shareholder had not exercised Dissent Rights,

but further provided that in no case shall the Company, the Parent or the Purchaser (or any of their respective successors) or any other person be required to recognize Holders of Company Common Shares who exercise Dissent Rights as holders of Company Common Shares after the Effective Time, and the names of such Holders of Company Common Shares who exercise Dissent Rights shall be deleted from the central securities register as holders of Company Common Shares at the Effective Time.

In addition to any other restrictions under Section 190 of the CBCA, none of the following shall be entitled to exercise Dissent Rights: (i) Company Option Holders; and (ii) holders of Company Common Shares who vote or have instructed a proxyholder to vote such Company Common Shares in favour of the Arrangement Resolution (but only in respect of such Company Common Shares).

## **ARTICLE 6 COMPANY CERTIFICATES**

### **Section 6.1 Effect of Arrangement**

After the Effective Time, certificates formerly representing Company Common Shares shall represent only the right to receive the ultimate consideration which the former

holder of such Company Common Shares is entitled to receive pursuant to Article 3 of this Plan of Arrangement, subject to compliance with the requirements set forth in this Article 6.

### **Section 6.2 Right of Holder to Receive Cash**

- (1) At or prior to the Effective Time, the Purchaser shall deposit with the Depositary, for the benefit of Company Shareholders, cash in an amount sufficient for the purchase of all Company Class A Shares (other than Company Class A Shares owned by the Purchaser or the Parent) and Company Common Shares acquired from Non-Resident Holders pursuant to Section 3.1(i), in accordance with Article 3 (other than Dissenting Shares, if any).
- (2) Subject to Section 6.4, the Purchaser shall cause the Depositary, as soon as practicable following the later of the Effective Date and the date of deposit with the Depositary of a duly completed Letter of Transmittal and the certificates formerly representing the Company Common Shares or other documentation as provided in the Letter of Transmittal, to deliver to the Holder making such deposit the cash which such Holder has the right to receive under the Arrangement in respect of such deposited Company Common Shares less any amounts withheld under Section 6.2(5) hereof.
- (3) No Holder shall be entitled to receive any consideration with respect to the Company Class A Shares other than the Cash Consideration, which they are entitled to receive in accordance with Article 3 of this Plan of Arrangement and, for greater certainty, no Holder will be entitled to receive any interest, dividends, premium or other payment in connection therewith.
- (4) The cash payment to which such Holder is entitled shall, subject to Section 6.4, in each case be delivered or paid to the Depositary to be held in trust as of the Effective Time for such Holder for delivery to the Holder, without interest and net of all applicable withholding and other taxes, if any, upon delivery of the Letter of Transmittal and the certificates formerly representing the Company Common Shares.
- (5) The Company, the Parent, the Purchaser and the Depositary shall be entitled to deduct and withhold from any consideration otherwise payable to any Holder such amounts as the Company, the Parent, the Purchaser or the Depositary are required or entitled to deduct and withhold with respect to such payment under the ITA, or any applicable provision of federal, provincial, state, local or foreign tax Law, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Holder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

### **Section 6.3 Lost Certificates**

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Company Common Shares that were transferred or cancelled pursuant to Section 3.1 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or

destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed certificate, the consideration deliverable in accordance with such Holder's Letter of Transmittal and this Plan of Arrangement. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the person to whom such consideration is to be delivered shall as a condition precedent to the delivery of such consideration, give a bond satisfactory to the Purchaser and the Depositary (acting reasonably) in such sum as the Purchaser may direct, or otherwise indemnify the Purchaser and Company in a manner satisfactory to the Purchaser and Company, acting reasonably, against any claim that may be made against the Purchaser and Company with respect to the certificate alleged to have been lost, stolen or destroyed.

#### **Section 6.4 Surrender of Rights**

Any certificate formerly representing Company Common Shares not duly surrendered on or prior to the fifth anniversary of the Effective Date shall cease to represent a claim or interest of any kind or nature against, the Purchaser or the Company by a former Holder. On such date, subject to applicable Law, all consideration to which the former Holder of such certificates was entitled shall be deemed to have been surrendered and be paid, along with any interest accrued on such consideration, by the Depositary to the Purchaser (or any successor).

### **ARTICLE 7 AMENDMENT**

#### **Section 7.1 Amendment of Plan of Arrangement**

- (1) The Company and the Purchaser reserve the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time, provided that, if required by Law, any amendment, modification or supplement must be contained in a written document which is filed with the Court and, if made following the Company Meeting, approved by the Court and communicated to Holders in the manner required by the Court (if so required).
- (2) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Company and the Purchaser at any time prior to or at the Company Meeting with or without any other prior notice or communication and, if so proposed and accepted by the persons voting at the Company Meeting, shall become part of this Plan of Arrangement for all purposes.
- (3) Any amendment, modification or supplement to this Plan of Arrangement which is approved or directed by the Court following the Company Meeting shall be effective only if it is consented to by the Company and the Purchaser (acting reasonably), and if required by the Court, it is consented to by Holders of some or all of the Company Common Shares.
- (4) This Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the terms of the Arrangement Agreement.

- (5) Notwithstanding the foregoing provisions of this Section 7.1, no amendment, modification or supplement to this Plan of Arrangement may be made prior to the Effective Time except in accordance with the terms of the Arrangement Agreement.

**Section 7.2 Termination**

Notwithstanding any prior approvals by the Court or by Company Shareholders, the board of directors of Company may decide not to proceed with the Arrangement in accordance with the terms of the Arrangement Agreement and to revoke the Arrangement Resolution adopted at the Company Meeting at any time prior to the Effective Time, without further approval of the Court or the Company Shareholders.

**Section 7.3 Effect of Termination**

Upon the termination of this Plan of Arrangement pursuant to Section 7.2 hereof, no party shall have any liability or further obligation to any other party hereunder.

**SCHEDULE 1**  
**TO PLAN OF ARRANGEMENT**  
**CONDITIONS OF COMPANY PREFERRED SHARES, SERIES 2**

The second series of Company Preferred Shares shall consist of an unlimited number of shares and shall be designated as Preferred Shares, Series 2. The rights, privileges, restrictions and conditions attaching to the Preferred Shares, Series 2 are as follows:

**1.1 Redemption Amount.**

Redemption Amount means with respect to a Preferred Share, Series 2, the amount determined by the directors at the time of issuance of such Preferred Share, Series 2.

**1.2 Voting.**

Except as otherwise required by law, the holders of the Preferred Shares, Series 2 shall not be entitled to receive notice of, to attend at, or to vote at meetings of shareholders of the Company.

**1.3 Dividends.**

The holders of the Preferred Shares, Series 2 shall be entitled to receive and the Company shall pay thereon, as and when declared by the directors of the Company out of the monies of the Company properly available for the payment of dividends, dividends in such amount and in such form as the directors of the Company may from time to time determine and all dividends which the directors of the Company may declare on the Preferred Shares, Series 2 shall be declared and paid in equal amounts per share on all Preferred Shares, Series 2 at the time outstanding. No dividends shall be declared or paid on the Preferred Shares, Series 2 if such payment will impair the ability of the Company to redeem any of the Preferred Shares, Series 2 then outstanding.

**1.4 Dissolution, Liquidation or Winding-up.**

In the event of the dissolution, liquidation or winding-up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs or upon a reduction of capital, the holders of the Preferred Shares, Series 2 shall be entitled to receive the Redemption Amount per Preferred Share, Series 2 before any assets of the Company shall be distributed to the holders of shares ranking junior to the Preferred Shares. After payment of the amount so payable to them, the holders of the Preferred Shares, Series 2 shall not be entitled to share in any further distribution of the assets of the Company.

**1.5 Redeemable by the Company.**

- (a) The Company may, upon giving the notice provided for in 1.5(c), redeem at any time the whole or from time to time part of any Preferred Shares, Series 2 then outstanding on payment of the Redemption Amount for each such share to be redeemed.

- (b) If only part of the Preferred Shares, Series 2 is at any time to be redeemed, the shares to be redeemed shall be selected by the directors in their absolute discretion and need not be redeemed pro rata.
- (c) If the Company desires to redeem all or any part of the Preferred Shares, Series 2, the Company shall provide written notice (the "Redemption Notice") to each person who is a registered holder of the Preferred Shares, Series 2 to be redeemed.
- (d) The Redemption Notice shall set out the Redemption Amount, the date specified for the redemption (the "Redemption Date") and if only part of the Preferred Shares, Series 2 held by such holder is to be redeemed, the number thereof so to be redeemed.
- (e) On the Redemption Date, the Company shall pay, or cause to be paid, to or to the order of the registered holders of the class of Preferred Shares, Series 2 to be redeemed, the Redemption Amount for each such share on presentation and surrender, at the Registered Office of the Company or any other place(s) in Calgary, Alberta designated by the Company, of the certificate(s) for the Preferred Shares, Series 2 called for redemption. Such Preferred Shares, Series 2 shall thereupon be deemed to be redeemed and shall be cancelled.
- (f) If a part only of the shares represented by any certificate are redeemed, a new certificate for the balance shall be issued at the expense of the Company.
- (g) Payment of the Redemption Amount (less any amount required to be withheld by the Company) for the Preferred Shares, Series 2 to be redeemed shall be made by such method as determined by the directors of the Company, including by issuance of a promissory note by the Company or by cheque payable to the holder thereof at par at any branch of the Company's bankers in Canada. Such promissory note or cheque shall discharge all liability of the Company for the Redemption Amount, to the extent of the amount represented thereby, unless such cheque is not paid on due presentation.
- (h) The Company shall have the right, at any time on or after the date of the Redemption Notice, to deposit the Redemption Amount of the Preferred Shares, Series 2 called for redemption, or of such of the Preferred Shares, Series 2 which are represented by certificate(s) which have not at the date of such deposit been surrendered by the holders in connection with such redemption to a special account maintained by the Company with any chartered bank or any trust company in Calgary, Alberta designated by the Company (the "Trustee") to be paid without interest to or to the order of the respective holders of such Preferred Shares, Series 2 called for redemption upon presentation and surrender to the Trustee of the certificate(s)

representing such shares. Upon such deposit being made the Preferred Shares, Series 2 in respect of which such deposit shall have been made shall be deemed to be redeemed and shall be cancelled. The rights of the holders thereof after such deposit shall be limited to receiving without interest their proportionate part of the total amount so deposited against presentation and surrender to the Trustee of the certificate(s) representing the Preferred Shares, Series 2 to be redeemed. Any interest allowed on any such deposit shall belong to the Company.

- (i) Notwithstanding the foregoing, the holders of the Preferred Shares, Series 2 to be redeemed may waive notice of any such redemption.
- (j) Notwithstanding anything contained in this Part, the Company shall be under no obligation to redeem any Preferred Shares, Series 2 to the extent that such redemption would, in the reasonable opinion of the directors, be in violation of the Canada Business Corporations Act or any other applicable law.
- (k) Any redemption monies that are represented by a cheque which has not been presented to the Company's bankers for payment or that otherwise remains unclaimed (including monies held on deposit to a special account) for a period of one year from the Redemption Date shall be forfeited to the Company.

#### **1.6 Retractable by the Holder.**

- (a) Any holder of Preferred Shares, Series 2 may, at the holder's option, at any time, upon giving notice as provided in 1.6(b), require the Company to redeem at any time the whole or from time to time any part of the Preferred Shares, Series 2 held by the holder by payment of the Redemption Amount for each share to be redeemed.
- (b) If a holder of Preferred Shares, Series 2 desires the Company to redeem any of the holder's Preferred Shares, Series 2, the holder shall, at least 60 days before the date specified for redemption (the "Retraction Date"), give to the Company, at its Registered Office written notice thereof (the "Retraction Notice").
- (c) The Retraction Notice shall set out the Retraction Date and if only part of a class of Preferred Shares, Series 2 held by such shareholder is to be redeemed, the number thereof so to be redeemed.
- (d) On the Retraction Date, the Company shall pay or cause to be paid, to the order of the registered holder of the Preferred Shares, Series 2 to be redeemed, the Redemption Amount for each such share, on presentation and

surrender at the Registered Office of the Company of the certificate(s) for such shareholder's Preferred Shares, Series 2 to be redeemed.

- (e) Payment of the Redemption Amount (less any amount required to be withheld by the Company) for the Preferred Shares, Series 2 to be redeemed shall be made by cheque payable to the holder thereof at par at any branch of the Company's bankers in Canada. Such cheque shall discharge all liability of the Company for the Redemption Amount, to the extent of the amount represented thereby, unless such cheque is not paid on due presentation. Such Preferred Shares, Series 2 shall thereupon be deemed to be redeemed and shall be cancelled.
- (f) If a part only of the shares represented by any certificate are redeemed, a new certificate for the balance shall be issued at the expense of the Company.
- (g) If a holder of Preferred Shares, Series 2 gives a Retraction Notice but fails to present the certificate(s) for such holder's Preferred Shares, Series 2 to be redeemed on the Retraction Date, the Retraction Notice given by such holder shall be null and void and the Company shall have no obligation to make the redemption called for in the Retraction Notice. Notwithstanding the foregoing, the Company shall have the right to proceed with such redemption notwithstanding such failure. If the Company elects to proceed, the Company shall deposit the Redemption Amount for the Preferred Shares, Series 2 to be redeemed in a special account maintained by the Company with any chartered bank or trust company in Calgary, Alberta (the "Trustee"), to be paid without interest to or to the order of the holder of such Preferred Shares, Series 2 upon presentation and surrender to the Trustee of the certificate(s) representing such shares. Upon such deposit being made, the Preferred Shares, Series 2 in respect of which such deposit shall have been made shall thereupon be deemed to be redeemed and shall be cancelled. The rights of the holder thereof after such deposit shall be limited to receiving without interest the amount so deposited upon presentation and surrender to the Trustee of the certificate(s) representing the Preferred Shares, Series 2 to be redeemed. Any interest allowed on any such deposit shall belong to the Company.
- (h) Notwithstanding anything contained in this Part, the Company shall be under no obligation to redeem any Preferred Shares, Series 2 to the extent that such redemption would, in the reasonable opinion of the directors, be in violation of the Canada Business Corporations Act or any other applicable law.
- (i) Any redemption monies that are represented by a cheque which has not been presented to the Company's bankers for payment or that otherwise remains unclaimed (including monies held on deposit to a special account) for a



period of one year from the Retraction Date shall be forfeited to the Company.

**1.7 Specified Amount.**

The “specified amount” for purposes of subsection 191(4) of the Income Tax Act (Canada) in respect of each Preferred Share, Series 2 shall be the amount specified by a director or an officer of the Company in a certificate that is made effective concurrently with the issuance of the Preferred Shares, Series 2 (expressed in a dollar amount).

**SCHEDULE 2**  
**TO PLAN OF ARRANGEMENT**  
**CONDITIONS OF COMPANY PREFERRED SHARES, SERIES 3**

The third series of Company Preferred Shares shall consist of an unlimited number of shares and shall be designated as Preferred Shares, Series 3. The rights, privileges, restrictions and conditions attaching to the Preferred Shares, Series 3 are as follows:

**1.1 Redemption Amount.**

Redemption Amount means with respect to a Preferred Share, Series 3, the amount determined by the directors at the time of issuance of such Preferred Share, Series 3.

**1.2 Voting.**

Except as otherwise required by law, the holders of the Preferred Shares, Series 3 shall not be entitled to receive notice of, to attend at, or to vote at meetings of shareholders of the Company.

**1.3 Dividends.**

The holders of the Preferred Shares, Series 3 shall be entitled to receive and the Company shall pay thereon, as and when declared by the directors of the Company out of the monies of the Company properly available for the payment of dividends, dividends in such amount and in such form as the directors of the Company may from time to time determine and all dividends which the directors of the Company may declare on the Preferred Shares, Series 3 shall be declared and paid in equal amounts per share on all Preferred Shares, Series 3 at the time outstanding. No dividends shall be declared or paid on the Preferred Shares, Series 3 if such payment will impair the ability of the Company to redeem any of the Preferred Shares, Series 3 then outstanding.

**1.4 Dissolution, Liquidation or Winding-up.**

In the event of the dissolution, liquidation or winding-up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs or upon a reduction of capital, the holders of the Preferred Shares, Series 3 shall be entitled to receive the Redemption Amount per Preferred Share, Series 3 before any assets of the Company shall be distributed to the holders of shares ranking junior to the Preferred Shares. After payment of the amount so payable to them, the holders of the Preferred Shares, Series 3 shall not be entitled to share in any further distribution of the assets of the Company.

**1.5 Redeemable by the Company.**

- (a) The Company may, upon giving the notice provided for in 1.5(c), redeem at any time the whole or from time to time part of any Preferred Shares, Series 3

then outstanding on payment of the Redemption Amount for each such share to be redeemed.

- (b) If only part of the Preferred Shares, Series 3 is at any time to be redeemed, the shares to be redeemed shall be selected by the directors in their absolute discretion and need not be redeemed pro rata.
- (c) If the Company desires to redeem all or any part of the Preferred Shares, Series 3, the Company shall provide written notice (the "Redemption Notice") to each person who is a registered holder of the Preferred Shares, Series 3 to be redeemed.
- (d) The Redemption Notice shall set out the Redemption Amount, the date specified for the redemption (the "Redemption Date") and if only part of the Preferred Shares, Series 3 held by such holder is to be redeemed, the number thereof so to be redeemed.
- (e) On the Redemption Date, the Company shall pay, or cause to be paid, to or to the order of the registered holders of the class of Preferred Shares, Series 3 to be redeemed, the Redemption Amount for each such share on presentation and surrender, at the Registered Office of the Company or any other place(s) in Calgary, Alberta designated by the Company, of the certificate(s) for the Preferred Shares, Series 3 called for redemption. Such Preferred Shares, Series 3 shall thereupon be deemed to be redeemed and shall be cancelled.
- (f) If a part only of the shares represented by any certificate are redeemed, a new certificate for the balance shall be issued at the expense of the Company.
- (g) Payment of the Redemption Amount (less any amount required to be withheld by the Company) for the Preferred Shares, Series 3 to be redeemed shall be made by such method as determined by the directors of the Company, including by issuance of a promissory note by the Company or by cheque payable to the holder thereof at par at any branch of the Company's bankers in Canada. Such promissory note or cheque shall discharge all liability of the Company for the Redemption Amount, to the extent of the amount represented thereby, unless such cheque is not paid on due presentation.
- (h) The Company shall have the right, at any time on or after the date of the Redemption Notice, to deposit the Redemption Amount of the Preferred Shares, Series 3 called for redemption, or of such of the Preferred Shares, Series 3 which are represented by certificate(s) which have not at the date of such deposit been surrendered by the holders in connection with such redemption to a special account maintained by the Company with any chartered bank or any trust company in Calgary, Alberta designated by the

Company (the "Trustee") to be paid without interest to or to the order of the respective holders of such Preferred Shares, Series 3 called for redemption upon presentation and surrender to the Trustee of the certificate(s) representing such shares. Upon such deposit being made the Preferred Shares, Series 3 in respect of which such deposit shall have been made shall be deemed to be redeemed and shall be cancelled. The rights of the holders thereof after such deposit shall be limited to receiving without interest their proportionate part of the total amount so deposited against presentation and surrender to the Trustee of the certificate(s) representing the Preferred Shares, Series 3 to be redeemed. Any interest allowed on any such deposit shall belong to the Company.

- (i) Notwithstanding the foregoing, the holders of the Preferred Shares, Series 3 to be redeemed may waive notice of any such redemption.
- (j) Notwithstanding anything contained in this Part, the Company shall be under no obligation to redeem any Preferred Shares, Series 3 to the extent that such redemption would, in the reasonable opinion of the directors, be in violation of the Canada Business Corporations Act or any other applicable law.
- (k) Any redemption monies that are represented by a cheque which has not been presented to the Company's bankers for payment or that otherwise remains unclaimed (including monies held on deposit to a special account) for a period of one year from the Redemption Date shall be forfeited to the Company.

#### **1.6 Retractable by the Holder.**

- (a) Any holder of Preferred Shares, Series 3 may, at the holder's option, at any time, upon giving notice as provided in 1.6(b), require the Company to redeem at any time the whole or from time to time any part of the Preferred Shares, Series 3 held by the holder by payment of the Redemption Amount for each share to be redeemed.
- (b) If a holder of Preferred Shares, Series 3 desires the Company to redeem any of the holder's Preferred Shares, Series 3, the holder shall, at least 60 days before the date specified for redemption (the "Retraction Date"), give to the Company, at its Registered Office written notice thereof (the "Retraction Notice").
- (c) The Retraction Notice shall set out the Retraction Date and if only part of a class of Preferred Shares, Series 3 held by such shareholder is to be redeemed, the number thereof so to be redeemed.

- (d) On the Retraction Date, the Company shall pay or cause to be paid, to the order of the registered holder of the Preferred Shares, Series 3 to be redeemed, the Redemption Amount for each such share, on presentation and surrender at the Registered Office of the Company of the certificate(s) for such shareholder's Preferred Shares, Series 3 to be redeemed.
- (e) Payment of the Redemption Amount (less any amount required to be withheld by the Company) for the Preferred Shares, Series 3 to be redeemed shall be made by cheque payable to the holder thereof at par at any branch of the Company's bankers in Canada. Such cheque shall discharge all liability of the Company for the Redemption Amount, to the extent of the amount represented thereby, unless such cheque is not paid on due presentation. Such Preferred Shares, Series 3 shall thereupon be deemed to be redeemed and shall be cancelled.
- (f) If a part only of the shares represented by any certificate are redeemed, a new certificate for the balance shall be issued at the expense of the Company.
- (g) If a holder of Preferred Shares, Series 3 gives a Retraction Notice but fails to present the certificate(s) for such holder's Preferred Shares, Series 3 to be redeemed on the Retraction Date, the Retraction Notice given by such holder shall be null and void and the Company shall have no obligation to make the redemption called for in the Retraction Notice. Notwithstanding the foregoing, the Company shall have the right to proceed with such redemption notwithstanding such failure. If the Company elects to proceed, the Company shall deposit the Redemption Amount for the Preferred Shares, Series 3 to be redeemed in a special account maintained by the Company with any chartered bank or trust company in Calgary, Alberta (the "Trustee"), to be paid without interest to or to the order of the holder of such Preferred Shares, Series 3 upon presentation and surrender to the Trustee of the certificate(s) representing such shares. Upon such deposit being made, the Preferred Shares, Series 3 in respect of which such deposit shall have been made shall thereupon be deemed to be redeemed and shall be cancelled. The rights of the holder thereof after such deposit shall be limited to receiving without interest the amount so deposited upon presentation and surrender to the Trustee of the certificate(s) representing the Preferred Shares, Series 3 to be redeemed. Any interest allowed on any such deposit shall belong to the Company.
- (h) Notwithstanding anything contained in this Part, the Company shall be under no obligation to redeem any Preferred Shares, Series 3 to the extent that such redemption would, in the reasonable opinion of the directors, be in violation of the Canada Business Corporations Act or any other applicable law.

- (i) Any redemption monies that are represented by a cheque which has not been presented to the Company's bankers for payment or that otherwise remains unclaimed (including monies held on deposit to a special account) for a period of one year from the Retraction Date shall be forfeited to the Company.

**1.7 Specified Amount.**

The "specified amount" for purposes of subsection 191(4) of the Income Tax Act (Canada) in respect of each Preferred Share, Series 3 shall be the amount specified by a director or an officer of the Company in a certificate that is made effective concurrently with the issuance of the Preferred Shares, Series 3 (expressed in a dollar amount).

**SCHEDULE 3  
TO PLAN OF ARRANGEMENT  
CONDITIONS OF SHARE CLASSES OF THE COMPANY**

**PART 1:**

**1.1 Voting.**

The holders of the Class A Shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Company and shall have two votes for each Class A Share held at all meetings of the shareholders of the Company, except meetings at which only holders of another specified class or series of shares of the Company are entitled to vote separately as a class or series.

**1.2 Dividends.**

Subject to the prior rights of the holders of the Class B Shares and any other shares ranking in priority to the holders of the Class A Shares with respect to priority in the payment of dividends, the holders of the Class A Shares shall be entitled to receive and the Company shall pay thereon, as and when declared by the directors of the Company out of the monies of the Company properly available for the payment of dividends, dividends in such amount and in such form as the directors of the Company may from time to time determine and all dividends which the directors of the Company may declare on the Class A Shares shall be declared and paid in equal amounts per share on all Class A Shares at the time outstanding. No dividends shall be declared or paid on the Class A Shares if such payment will impair the ability of the Company to redeem any of the Class B Shares then outstanding.

**1.3 Dissolution, Liquidation or Winding-up.**

In the event of the dissolution, liquidation or winding-up of the Company or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs or upon a reduction in capital, the holders of the Class A Shares shall, subject to the prior rights of the holders of the Class B Shares and any other shares ranking in priority to the Class A Shares in respect of priority in the distribution of assets upon the dissolution, liquidation or winding-up of the Company or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs or upon a reduction in capital, be entitled to receive the remaining assets and property of the Company.

**PART 2:**

**SPECIAL RIGHTS AND RESTRICTIONS ATTACHED TO THE CLASS B SHARES**

**1.1 Redemption Amount.**

“Redemption Amount” means with respect to the Class B Shares, the amount determined by the directors at the time of issuance of such Class B Shares.

**1.2 Voting.**

Except as otherwise required by law, the holders of the Class B Shares shall not be entitled to receive notice of, to attend at, or to vote at meetings of shareholders of the Company.

**1.3 Dividends.**

The holders of the Class B Shares shall be entitled to receive in preference and priority to the holders of the Class A Shares, and the Company shall pay thereon, as and when declared by the directors of the Company out of the monies of the Company properly available for the payment of dividends, dividends in such amount and in such form as the directors of the Company may from time to time determine and all dividends which the directors of the Company may declare on the Class B Shares shall be declared and paid in equal amounts per share on all Class B Shares at the time outstanding. No dividends shall be declared or paid on the Class B Shares if such payment will impair the ability of the Company to redeem any of the Class B Shares then outstanding.

**1.4 Dissolution, Liquidation or Winding-up.**

In the event of the dissolution, liquidation or winding-up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs or upon a reduction of capital, the holders of the Class B Shares shall be entitled to receive the Redemption Amount per Class B Share before any assets of the Company shall be distributed to the holders of the Class A Shares. After payment of the amount so payable to them, the holders of the Class B Shares shall not be entitled to share in any further distribution of the assets of the Company.

**1.5 Redeemable by the Company.**

- (a) The Company may redeem at any time the whole or from time to time part of any Class B Shares then outstanding on payment of the Redemption Amount for each such share to be redeemed.
- (b) If only part of the Class B Shares is at any time to be redeemed, the shares to be redeemed shall be selected by the directors in their absolute discretion and need not be redeemed pro rata.



- (c) If a part only of the shares represented by any certificate are redeemed, a new certificate for the balance shall be issued at the expense of the Company.
- (d) Payment of the Redemption Amount (less any amount required to be withheld by the Company) for the Class B Shares to be redeemed shall be made by such method as determined by the directors of the Company, including by set-off with any amounts owing by the holder to the Company or by cheque payable to the holder thereof at par at any branch of the Company's bankers in Canada. Such set-off or cheque shall discharge all liability of the Company for the Redemption Amount, to the extent of the amount represented thereby, unless such cheque is not paid on due presentation.
- (e) The Company shall have the right, at any time on or after the call for redemption of the Class B Shares to be redeemed, to deposit the Redemption Amount of such Class B Shares called for redemption, or of such of the Class B Shares which are represented by certificate(s) which have not at the date of such deposit been surrendered by the holders in connection with such redemption to a special account maintained by the Company with any chartered bank or any trust company in Calgary, Alberta designated by the Company (the "Trustee") to be paid without interest to or to the order of the respective holders of such Class B Shares called for redemption upon presentation and surrender to the Trustee of the certificate(s) representing such shares. Upon such deposit being made the Class B Shares in respect of which such deposit shall have been made shall be deemed to be redeemed and shall be cancelled. The rights of the holders thereof after such deposit shall be limited to receiving without interest their proportionate part of the total amount so deposited against presentation and surrender to the Trustee of the certificate(s) representing the Class B Shares to be redeemed. Any interest allowed on any such deposit shall belong to the Company.
- (f) Notwithstanding anything contained in this Part, the Company shall be under no obligation to redeem any Class B Shares to the extent that such redemption would, in the reasonable opinion of the directors, be in violation of the laws of the Province of Alberta or any other applicable law.
- (g) Any redemption monies that are represented by a cheque which has not been presented to the Company's bankers for payment or that otherwise remains unclaimed (including monies held on deposit to a special account) for a period of one year from the date of redemption shall be forfeited to the Company.

#### **1.6 Specified Amount**

The “specified amount” for purposes of subsection 191(4) of the Income Tax Act (Canada) in respect of each Class B Share shall be the amount specified by a director or an officer of the Company in a certificate that is made effective concurrently with the issuance of the Class B Shares (expressed as a dollar amount).

**1.7 Retractable by the Holder.**

- (a) Any holder of Class B Shares may, at the holder’s option, at any time, upon giving notice as provided in 1.7(b), require the Company to redeem at any time the whole or from time to time any part of the Class B Shares held by the holder by payment of the Redemption Amount for each share to be redeemed.
- (b) If a holder of Class B Shares desires the Company to redeem any of the holder’s Class B Shares, the holder shall, at least one day before the date specified for redemption (the “Retraction Date”), give to the Company, at its Registered Office written notice thereof (the “Retraction Notice”).
- (c) The Retraction Notice shall set out the Retraction Date and if only part of a class of Class B Shares held by such shareholder is to be redeemed, the number thereof so to be redeemed.
- (d) On the Retraction Date, the Company shall pay or cause to be paid, to the order of the registered holder of the Class B Shares to be redeemed, the Redemption Amount for each such share, on presentation and surrender at the Registered Office of the Company of the certificate(s) for such shareholder’s Class B Shares to be redeemed.
- (e) Payment of the Redemption Amount (less any amount required to be withheld by the Company) for the Class B Shares to be redeemed shall be made by cheque payable to the holder thereof at par at any branch of the Company’s bankers in Canada. Such cheque shall discharge all liability of the Company for the Redemption Amount, to the extent of the amount represented thereby, unless such cheque is not paid on due presentation. Such Class B Shares shall thereupon be deemed to be redeemed and shall be cancelled.
- (f) If a part only of the shares represented by any certificate are redeemed, a new certificate for the balance shall be issued at the expense of the Company.
- (g) If a holder of Class B Shares gives a Retraction Notice but fails to present the certificate(s) for such holder’s Class B Shares to be redeemed on the Retraction Date, the Retraction Notice given by such holder shall be null and void and the Company shall have no obligation to make the redemption called for in the Retraction Notice. Notwithstanding the foregoing, the Company shall have the right to proceed with such redemption

notwithstanding such failure. If the Company elects to proceed, the Company shall deposit the Redemption Amount for the Class B Shares to be redeemed in a special account maintained by the Company with any chartered bank or trust company in Calgary, Alberta (the "Trustee"), to be paid without interest to or to the order of the holder of such Class B Shares upon presentation and surrender to the Trustee of the certificate(s) representing such shares. Upon such deposit being made, the Class B Shares in respect of which such deposit shall have been made shall thereupon be deemed to be redeemed and shall be cancelled. The rights of the holder thereof after such deposit shall be limited to receiving without interest the amount so deposited upon presentation and surrender to the Trustee of the certificate(s) representing the Class B Shares to be redeemed. Any interest allowed on any such deposit shall belong to the Company.

- (h) Notwithstanding anything contained in this Part, the Company shall be under no obligation to redeem any Class B Shares to the extent that such redemption would, in the reasonable opinion of the directors, be in violation of the laws of the Province of Alberta or any other applicable law.
- (i) Any redemption monies that are represented by a cheque which has not been presented to the Company's bankers for payment or that otherwise remains unclaimed (including monies held on deposit to a special account) for a period of one year from the Retraction Date shall be forfeited to the Company.

**SCHEDULE 4  
TO PLAN OF ARRANGEMENT  
CONDITIONS OF NEWCO PREFERRED SHARES**

The first series of Preferred Shares shall consist of an unlimited number of shares and shall be designated as Preferred Shares, Series B. The rights, privileges, restrictions and conditions attaching to the Preferred Shares, Series B are as follows:

**1.1 Redemption Amount.**

Redemption Amount means with respect to a Preferred Share, Series B, the amount determined by the directors at the time of issuance of such Preferred Share, Series B.

**1.2 Voting.**

Except as otherwise required by law, the holders of the Preferred Shares, Series B shall not be entitled to receive notice of, to attend at, or to vote at meetings of shareholders of the Company.

**1.3 Dividends.**

The holders of the Preferred Shares, Series B shall be entitled to receive and the Company shall pay thereon, as and when declared by the directors of the Company out of the monies of the Company properly available for the payment of dividends, dividends in such amount and in such form as the directors of the Company may from time to time determine and all dividends which the directors of the Company may declare on the Preferred Shares, Series B shall be declared and paid in equal amounts per share on all Preferred Shares, Series B at the time outstanding. No dividends shall be declared or paid on the Preferred Shares, Series B if such payment will impair the ability of the Company to redeem any of the Preferred Shares, Series B then outstanding.

**1.4 Dissolution, Liquidation or Winding-up.**

In the event of the dissolution, liquidation or winding-up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs or upon a reduction of capital, the holders of the Preferred Shares, Series B shall be entitled to receive the Redemption Amount per Preferred Share, Series B before any assets of the Company shall be distributed to the holders of the Common Shares. After payment of the amount so payable to them, the holders of the Preferred Shares, Series B shall not be entitled to share in any further distribution of the assets of the Company.

**1.5 Redeemable by the Company.**

- (a) The Company may redeem at any time the whole or from time to time part of any Preferred Shares, Series B then outstanding on payment of the Redemption Amount for each such share to be redeemed.

- (b) If only part of the Preferred Shares, Series B is at any time to be redeemed, the shares to be redeemed shall be selected by the directors in their absolute discretion and need not be redeemed pro rata.
- (c) If a part only of the shares represented by any certificate are redeemed, a new certificate for the balance shall be issued at the expense of the Company.
- (d) Payment of the Redemption Amount (less any amount required to be withheld by the Company) for the Preferred Shares, Series B to be redeemed shall be made by such method as determined by the directors of the Company, including by issuance of a promissory note by the Company or by cheque payable to the holder thereof at par at any branch of the Company's bankers in Canada. Such promissory note or cheque shall discharge all liability of the Company for the Redemption Amount, to the extent of the amount represented thereby, unless such cheque is not paid on due presentation.
- (e) The Company shall have the right, at any time on or after the date of the Redemption Notice, to deposit the Redemption Amount of the Preferred Shares, Series B called for redemption, or of such of the Preferred Shares, Series B which are represented by certificate(s) which have not at the date of such deposit been surrendered by the holders in connection with such redemption to a special account maintained by the Company with any chartered bank or any trust company in Calgary, Alberta designated by the Company (the "Trustee") to be paid without interest to or to the order of the respective holders of such Preferred Shares, Series B called for redemption upon presentation and surrender to the Trustee of the certificate(s) representing such shares. Upon such deposit being made the Preferred Shares, Series B in respect of which such deposit shall have been made shall be deemed to be redeemed and shall be cancelled. The rights of the holders thereof after such deposit shall be limited to receiving without interest their proportionate part of the total amount so deposited against presentation and surrender to the Trustee of the certificate(s) representing the Preferred Shares, Series B to be redeemed. Any interest allowed on any such deposit shall belong to the Company.
- (f) Notwithstanding anything contained in this Part, the Company shall be under no obligation to redeem any Preferred Shares, Series B to the extent that such redemption would, in the reasonable opinion of the directors, be in violation of the Canada Business Corporations Act or any other applicable law.
- (g) Any redemption monies that are represented by a cheque which has not been presented to the Company's bankers for payment or that otherwise remains unclaimed (including monies held on deposit to a special account) for a

period of one year from the Redemption Date shall be forfeited to the Company.

**1.6 Retractable by the Holder.**

- (a) Any holder of Preferred Shares, Series B may, at the holder's option, at any time, upon giving notice as provided in 1.6(b), require the Company to redeem at any time the whole or from time to time any part of the Preferred Shares, Series B held by the holder by payment of the Redemption Amount for each share to be redeemed.
- (b) If a holder of Preferred Shares, Series B desires the Company to redeem any of the holder's Preferred Shares, Series B, the holder shall, at least 60 days before the date specified for redemption (the "Retraction Date"), give to the Company, at its Registered Office written notice thereof (the "Retraction Notice").
- (c) The Retraction Notice shall set out the Retraction Date and if only part of a class of Preferred Shares, Series B held by such shareholder is to be redeemed, the number thereof so to be redeemed.
- (d) On the Retraction Date, the Company shall pay or cause to be paid, to the order of the registered holder of the Preferred Shares, Series B to be redeemed, the Redemption Amount for each such share, on presentation and surrender at the Registered Office of the Company of the certificate(s) for such shareholder's Preferred Shares, Series B to be redeemed.
- (e) Payment of the Redemption Amount (less any amount required to be withheld by the Company) for the Preferred Shares, Series B to be redeemed shall be made by cheque payable to the holder thereof at par at any branch of the Company's bankers in Canada. Such cheque shall discharge all liability of the Company for the Redemption Amount, to the extent of the amount represented thereby, unless such cheque is not paid on due presentation. Such Preferred Shares, Series B shall thereupon be deemed to be redeemed and shall be cancelled.
- (f) If a part only of the shares represented by any certificate are redeemed, a new certificate for the balance shall be issued at the expense of the Company.
- (g) If a holder of Preferred Shares, Series B gives a Retraction Notice but fails to present the certificate(s) for such holder's Preferred Shares, Series B to be redeemed on the Retraction Date, the Retraction Notice given by such holder shall be null and void and the Company shall have no obligation to make the redemption called for in the Retraction Notice. Notwithstanding the foregoing, the Company shall have the right to proceed with such redemption notwithstanding such failure. If the Company elects to proceed,

the Company shall deposit the Redemption Amount for the Preferred Shares, Series B to be redeemed in a special account maintained by the Company with any chartered bank or trust company in Calgary, Alberta (the "Trustee"), to be paid without interest to or to the order of the holder of such Preferred Shares, Series B upon presentation and surrender to the Trustee of the certificate(s) representing such shares. Upon such deposit being made, the Preferred Shares, Series B in respect of which such deposit shall have been made shall thereupon be deemed to be redeemed and shall be cancelled. The rights of the holder thereof after such deposit shall be limited to receiving without interest the amount so deposited upon presentation and surrender to the Trustee of the certificate(s) representing the Preferred Shares, Series B to be redeemed. Any interest allowed on any such deposit shall belong to the Company.

- (h) Notwithstanding anything contained in this Part, the Company shall be under no obligation to redeem any Preferred Shares, Series B to the extent that such redemption would, in the reasonable opinion of the directors, be in violation of the Canada Business Corporations Act or any other applicable law.
- (i) Any redemption monies that are represented by a cheque which has not been presented to the Company's bankers for payment or that otherwise remains unclaimed (including monies held on deposit to a special account) for a period of one year from the Retraction Date shall be forfeited to the Company.

#### **1.7 Specified Amount.**

The "specified amount" for purposes of subsection 191(4) of the Income Tax Act (Canada) in respect of each Preferred Share, Series B shall be the amount specified by a director or an officer of the Company in a certificate that is made effective concurrently with the issuance of the Preferred Shares, Series B (expressed in a dollar amount).

**APPENDIX E – FAIRNESS OPINION OF RBC CAPITAL MARKETS**





RBC Capital Markets®

RBC Dominion Securities Inc.

Suite 3900, Bankers Hall West

888 - 3<sup>rd</sup> Street S.W.

Calgary, Alberta T2P 5C5

Telephone: (403) 299-7111

January 8, 2012

The Board of Directors  
SilverBirch Energy Corporation  
Suite 1500, Bow Valley Square 1  
202 – 6th Avenue SW  
Calgary, Alberta T2P 2R9

To the Board:

RBC Dominion Securities Inc. (“RBC”), a member company of RBC Capital Markets, understands that 8071667 Canada Inc. (the “Acquiror”), a wholly-owned subsidiary of Teck Resources Limited (“Teck”), Teck and SilverBirch Energy Corporation (the “Company”) propose to enter into an agreement (the “Arrangement Agreement”) to be dated January 8, 2012 to effect a transaction (the “Arrangement”) by way of a plan of arrangement, which provides for, among other things, that each holder (“Shareholder”) of common shares (the “Shares”) of the Company will receive, for each Share held: (i) cash consideration of \$8.50 per Share (the “Cash Consideration”) and (ii) one common share (the “SilverWillow Shares”) in SilverWillow Energy Corporation (“SilverWillow”), a new, publicly-traded exploration and development company, which upon completion of the Arrangement will be 100% owned by the Shareholders on a pro rata basis excluding dissenting Shareholders (the “SilverWillow Consideration”). Upon completion of the Arrangement, Teck will indirectly own (i) the Company’s 50% working interests in the Frontier and Equinox oil sands projects and certain assets relating thereto (“Frontier and Equinox”), (ii) the Company’s 50% working interest in the Twin Lakes oil sands leases (“Twin Lakes”), and (iii) cash in an amount equal to certain estimated tax liabilities (together with Frontier and Equinox and Twin Lakes, the “Retained Assets”), and SilverWillow will directly or indirectly own (i) all of the assets of the Company other than the Retained Assets, (ii) the 50% working interests in the Birch Mountains and Jordan oil sands leases that are currently owned by Teck, and (iii) approximately \$25 million in net working capital (subject to adjustment). RBC also understands that holders of approximately 41% of the outstanding Shares on a fully diluted basis will agree to vote their Shares in favour of the Arrangement pursuant to lock-up agreements with Teck and the Acquiror (the “Lock-up Agreements”). The terms of the Arrangement will be more fully described in a management information circular (the “Circular”), to be mailed to Shareholders in connection with the Arrangement.

The board of directors (the “Board”) of the Company has retained RBC to provide advice and assistance to the Board in evaluating the Arrangement, including the preparation and delivery to the Board of RBC’s opinion (the “Fairness Opinion”) as to the fairness of the consideration under the Arrangement from a financial point of view to the Shareholders, other than Teck. RBC has not prepared a valuation of the Company, SilverWillow or any of their respective securities or assets and the Fairness Opinion should not be construed as such.

### Engagement

The Company initially contacted RBC regarding a potential advisory assignment in January 2011, and RBC was formally engaged by the Company through agreements between the Company

and RBC (the "Engagement Agreements") dated January 13, 2011 and January 3, 2012. The terms of the Engagement Agreements provide that RBC is to be paid fees for its services as financial advisor, including fees that are contingent on the completion of the Arrangement or certain other events. In addition, RBC is to be reimbursed for its reasonable out-of-pocket expenses and to be indemnified by the Company in certain circumstances. RBC consents to the inclusion of the Fairness Opinion in its entirety and a summary thereof in the Circular and to the filing thereof, as necessary, by the Company with the securities commissions or similar regulatory authorities in each province of Canada.

RBC acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the Company, SilverWillow, Teck, or any of their respective associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it received or may receive compensation. As an investment dealer, RBC conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Company, SilverWillow, Teck or the Arrangement.

### **Credentials of RBC Capital Markets**

RBC is one of Canada's largest investment banking firms, with operations in all facets of corporate and government finance, corporate banking, mergers and acquisitions, equity and fixed income sales and trading and investment research. RBC Capital Markets also has significant operations in the United States and internationally. The Fairness Opinion expressed herein represents the opinion of RBC and the form and content herein have been approved for release by a committee of its directors, each of whom is experienced in merger, acquisition, divestiture and fairness opinion matters.

### **Scope of Review**

In connection with our Fairness Opinion, we have reviewed and relied upon or carried out, among other things, the following:

1. the most recent draft, dated January 8, 2012, of the Arrangement Agreement;
2. the most recent drafts, dated January 6, 2012, of the Lock-up Agreements;
3. audited consolidated financial statements of the Company for the period from its date of incorporation, June 25, 2010, to December 31, 2010;
4. the unaudited interim reports of the Company for the quarters ended March 31, June 30, September 30, 2011;
5. annual report of the Company for the year ended December 31, 2010;
6. the Notice of Meeting and Management Information Circular of the Company for the year ended December 31, 2010;
7. annual information form of the Company for the year ended December 31, 2010;
8. the notice of special meeting of shareholders of UTS Energy Corporation ("UTS"), notice of petition, and information circular of UTS relating to the acquisition of UTS by Total E&P Canada Ltd., dated August 27, 2010;
9. the Oil Sands Market Outlook, prepared by Purvin & Gertz for Teck and SilverBirch, received January 6, 2012;
10. projected life of mine operating and financial results for Frontier and Equinox, as prepared by management of the Company;
11. management's estimates of resources related to the assets to be owned by SilverWillow upon completion of the Arrangement;

12. discussions with senior management of the Company;
13. discussions with the Company's legal counsel;
14. public information relating to the business, operations, financial performance and stock trading history of the Company and other selected public entities considered by us to be relevant;
15. public information with respect to other transactions of a comparable nature considered by us to be relevant;
16. public information regarding the Canadian oil sands and global oil & gas industries;
17. representations contained in a certificate addressed to us, dated as of the date hereof, from senior officers of the Company as to the completeness and accuracy of the information upon which the Fairness Opinion is based; and
18. such other corporate, industry and financial market information, investigations and analyses as RBC considered necessary or appropriate in the circumstances.

RBC has not, to the best of its knowledge, been denied access by the Company to any information requested by RBC. As the auditors of the Company declined to permit RBC to rely upon information provided by them as part of a due diligence review, RBC did not meet with the auditors and has assumed the accuracy and fair presentation of and relied upon the consolidated financial statements of the Company and the reports of the auditors thereon.

### **Assumptions and Limitations**

With the Board's approval and as provided for in the Engagement Agreements, RBC has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions or representations obtained by it from public sources, senior management of the Company, and their consultants and advisors (collectively, the "Information"). The Fairness Opinion is conditional upon such completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment and except as expressly described herein, we have not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information.

Senior officers of the Company have represented to RBC in a certificate delivered as of the date hereof, among other things, that (i) the Information (as defined above) provided orally by, or in the presence of, an officer or employee of the Company or in writing by the Company or any of its subsidiaries or their respective agents to RBC for the purpose of preparing the Fairness Opinion was, at the date the Information was provided to RBC, and is at the date hereof complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of the Company, its subsidiaries or the Arrangement and did not and does not omit to state a material fact in respect of the Company, its subsidiaries or the Arrangement necessary to make the Information or any statement contained therein not misleading in light of the circumstances under which the Information was provided or any statement was made; and that (ii) since the dates on which the Information was provided to RBC, except as disclosed in writing to RBC, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Fairness Opinion.

In preparing the Fairness Opinion, RBC has made several assumptions, including that all of the conditions required to implement the Arrangement will be met.

The Fairness Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of the Company, SilverWillow and their respective subsidiaries and affiliates, as they were reflected in the Information and as they have been represented to RBC in discussions with management of the Company. In its analyses and in preparing the Fairness Opinion, RBC made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of RBC or any party involved in the Arrangement.

The Fairness Opinion has been provided for the use of the Board and may not be used by any other person or relied upon by any other person other than the Board without the express prior written consent of RBC. The Fairness Opinion is given as of the date hereof and RBC disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to RBC's attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Fairness Opinion after the date hereof, RBC reserves the right to change, modify or withdraw the Fairness Opinion.

RBC believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Fairness Opinion is not to be construed as a recommendation to any Shareholder as to whether to vote in favour of the Arrangement.

### **Approach to Fairness**

In considering the fairness of the consideration under the Arrangement, from a financial point of view, to the Shareholders other than Teck, RBC compared the Cash Consideration to an assessment of the Retained Assets and considered the potential market trading value of the SilverWillow Shares.

#### *Cash Consideration*

In assessing the Cash Consideration, RBC principally considered and relied upon the following:

1. a comparison of the Cash Consideration to the results of a net asset value ("NAV") analysis of the Retained Assets (the "NAV Analysis"); and
2. a comparison of selected financial multiples, to the extent publicly available, of selected oil sands precedent transactions to the multiples implied under the Arrangement for the Retained Assets (the "Precedent Transaction Analysis").

RBC also reviewed the trading multiples of selected public companies involved in the heavy oil and oil sands industry from the perspective of whether a public market value analysis might exceed NAV Analysis or Precedent Transaction Analysis for the Retained Assets. However, RBC concluded that the implied values from public company trading multiples were similar to or below the values resulting from NAV Analysis and Precedent Transaction Analysis. Given this, and that public company values generally reflect minority discount values rather than "en bloc" values, RBC did not rely on this methodology.

*SilverWillow Consideration*

In assessing the SilverWillow Consideration, RBC considered the potential public market trading value of the SilverWillow Shares, primarily based on a review of the trading multiples of selected public companies involved in the heavy oil and oil sands industry. RBC notes that, upon completion of the Arrangement, Shareholders (other than dissenting Shareholders) will continue to own indirectly, through the ownership of the SilverWillow Shares, the same pro rata interest that they own indirectly today, through the ownership of the Shares, in all of the assets currently owned by SilverBirch (other than the Retained Assets).

**Fairness Conclusion**

Based upon and subject to the foregoing, RBC is of the opinion that, as of the date hereof, the consideration under the Arrangement is fair from a financial point of view to the Shareholders, other than Teck.

Yours very truly,

A handwritten signature in cursive script that reads "RBC Dominion Securities Inc.".

**RBC DOMINION SECURITIES INC.**

**APPENDIX F – FAIRNESS OPINION OF TD SECURITIES**



**TD Securities Inc.**  
800 Home Oil Tower  
324 – 8<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 2Z2

January 8, 2012

The Board of Directors  
SilverBirch Energy Corporation  
Suite 1500, Bow Valley Square 1  
202 – 6<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 2R9

To the Board of Directors:

TD Securities Inc. (“TD Securities”) understands that SilverBirch Energy Corporation (“SilverBirch” or the “Company”), 8071667 Canada Inc. (the “Offeror”), a wholly-owned subsidiary of Teck Resources Limited (“Teck”), and Teck, have entered into a definitive Arrangement Agreement (which includes a Form of Transfer Agreement attached as Schedule “D” thereto) dated January 8, 2012, (the “Definitive Agreement” or the “Offer”) setting out the terms and conditions pursuant to which the Offeror has proposed to acquire all of the outstanding common shares of SilverBirch (“SilverBirch Shares”) by way of a plan of arrangement (the “Plan”) and, pursuant to the Plan, holders of SilverBirch Shares (the “Shareholders”) other than dissenting Shareholders will receive, for each SilverBirch Share, cash consideration of \$8.50 (the “Cash Consideration”) and one common share (the “Share Consideration”, and together with the Cash Consideration, collectively the “Consideration”) in a new, publicly-traded exploration and development company, SilverWillow Energy Corporation (“SilverWillow”) (the “Arrangement”).

TD Securities understands that, pursuant to the Offer, West Face Capital Inc., The Children’s Investment Fund Management (UK) LLP and the directors and officers of SilverBirch, collectively owning approximately 38% of the SilverBirch Shares (41% on a fully diluted basis), have signed agreements in support of the Arrangement. TD Securities also understands that Teck owns approximately 9.3% of the SilverBirch Shares.

The above description is summary in nature. The specific terms and conditions of the Arrangement will be more fully described in the management information circular (the “Information Circular”), which is to be mailed to the Shareholders in connection with the Arrangement.

#### **ENGAGEMENT OF TD SECURITIES**

TD Securities was engaged by the Company pursuant to engagement agreements dated January 13, 2011, and January 3, 2012 (collectively the “Engagement Agreement”) to act as a financial advisor in connection with the review of strategic alternatives for the Company and to prepare and deliver to the SilverBirch Board of Directors (the “Board”) its opinion (the “Opinion”) as to the fairness of the Consideration under the Offer, from a financial point of view, to Shareholders other than Teck and Teck’s affiliates. TD Securities has not prepared a valuation of SilverBirch, SilverWillow or any of its securities or assets and the Opinion should not be construed as such.

The terms of the Engagement Agreement provide that TD Securities will receive a fee for its services, a portion of which is contingent on completion of the Arrangement or certain other events, and is to be reimbursed for its reasonable out-of-pocket expenses. Furthermore, the Company has agreed to indemnify TD Securities, in certain circumstances, against certain expenses, losses, claims, actions, suits, proceedings, damages and liabilities which may arise directly or indirectly from services performed by TD Securities in connection with the Engagement Agreement.

On January 8, 2012, at the request of the Board, TD Securities delivered the Opinion orally to the Board based upon the scope of review and subject to the assumptions and limitations set out herein. This Opinion provides the same opinion, in writing, as of January 8, 2012. The Opinion may not be published, reproduced, disseminated, quoted from or referred to without the express written consent of TD Securities. Subject to the terms of the Engagement Agreement, TD Securities consents to the inclusion of the Opinion, in its entirety, with a summary thereof in a form acceptable to TD Securities, in the Information Circular, and to the filing thereof by the Company with the applicable Canadian securities regulatory authorities.

#### **CREDENTIALS OF TD SECURITIES**

TD Securities is a Canadian investment banking firm with operations in a broad range of investment banking activities, including corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, investment management and investment research. TD Securities has participated in a significant number of transactions involving public and private companies and has extensive experience in preparing valuations and fairness opinions.

The Opinion represents the opinion of TD Securities and its form and content have been approved by a committee of senior investment banking professionals of TD Securities, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

#### **RELATIONSHIP WITH INTERESTED PARTIES**

Neither TD Securities, nor any of its affiliates is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Alberta)) of the Company, SilverWillow, the Offeror, Teck, or any of their respective associates or affiliates (collectively, the "Interested Parties"). Neither TD Securities nor any of its affiliates is an advisor to any Interested Party with respect to the Offer other than to the Company pursuant to the Engagement Agreement.

Other than services provided pursuant to the Engagement Agreement, TD Securities and its affiliates have not been engaged to provide any financial advisory services, have not acted as lead or co-lead manager on any offering of securities of the Company or any other Interested Party, or had a material financial interest in any transaction involving the Company or any other Interested Party during the 24 months preceding the date on which TD Securities was first contacted in respect of the Offer other than: (i) acting as co-manager in connection with the Company's \$13.34 million issue of flow-through common shares which closed in December 2010; (ii) acting as a current lender to the Company under an operating line of credit; (iii) extending credit lines to Teck; and (iv) providing trade finance and foreign exchange services to Teck. SilverBirch was formed as a result of the arrangement (the "Total Arrangement") among SilverBirch, UTS Energy Corporation ("UTS"), the shareholders of UTS and Total E&P Canada Ltd. ("Total"), which closed in October 2010. TD Securities acted as a financial advisor to UTS in connection with the review and development of a number of strategic alternatives, including the Total Arrangement, pursuant to an engagement agreement dated December 10, 2008 (the "UTS Engagement Agreement"). Other than services provided pursuant to the UTS Engagement Agreement, TD Securities and its affiliates have not been engaged to provide any financial advisory services, have not acted as lead or co-lead manager on any offering of securities of UTS or any associate or affiliate of UTS, or had a material financial interest in any transaction involving UTS or any associate or affiliate of UTS during the period commencing 24 months preceding the date on which TD Securities was first contacted in respect of the Offer and ending upon completion of the Total Arrangement.

Other than pursuant to the Engagement Agreement, there are no understandings or agreements between TD Securities and the Company, SilverWillow, or any other Interested Party with respect to future financial advisory or investment banking business. TD Securities may in the future, in the ordinary course of its business, perform financial advisory or investment banking services for the Company, SilverWillow, or any other Interested Party.



TD Securities and its affiliates act as a trader and dealer, both as principal and as agent, in major financial markets and, as such, may have and may in the future have positions in the securities of any Interested Party and, from time to time, may have executed or may execute transactions on behalf of any Interested Party or other clients for which it may have received or may receive compensation. As an investment dealer, TD Securities conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including matters with respect to the Offer, the Company or any other Interested Party, and The Toronto-Dominion Bank, parent of TD Securities, may provide banking services to the Company, SilverWillow, or any other Interested Party.

#### **SCOPE OF REVIEW**

In connection with the Opinion, TD Securities reviewed and relied upon (without attempting to verify independently the completeness or accuracy of) or carried out, among other things, the following:

1. a draft of the Definitive Agreement dated January 8, 2012;
2. a draft form of Director & Officer Lock-up Agreement and draft form of Significant Shareholder Lock-up Agreement received January 6, 2012;
3. audited consolidated financial statements of the Company and management's discussion and analysis for the period from date of incorporation, June 25, 2010 to December 31, 2010;
4. the Annual Report of the Company for the year ended December 31, 2010;
5. the unaudited interim consolidated financial statements of the Company and management's discussion and analysis for the quarters ended March 31, June 30, and September 30, 2011;
6. the Notice of Meeting and Management Information Circular of the Company for the year ended December 31, 2010;
7. the Annual Information Form of the Company for the year ended December 31, 2010;
8. the Notice of Special Meeting of Shareholders, Notice of Petition, and Information Circular of UTS relating to the acquisition of UTS by Total, dated August 27, 2010;
9. the Oil Sands Market Outlook, prepared by Purvin & Gertz for Teck and SilverBirch, received January 6, 2012;
10. the projected operating and financial results for Frontier and Equinox, as prepared by management of the Company;
11. Frontier Oilsands Mine Project Prefeasibility dated February 11, 2011 and prepared by AMEC;
12. Frontier Oilsands Mine Project Prefeasibility Study Mine Cost Estimate dated March 4, 2011 and prepared by Norwest;
13. Frontier Oil Sands Mine Project Prefeasibility Report dated March 2011 and prepared by SilverBirch and Teck;
14. management's estimates of resources related to the assets to be owned by SilverWillow following the Arrangement;
15. discussions with members of senior management of the Company with respect to the information referred to above and other issues deemed relevant;
16. discussions with Blake, Cassels & Graydon LLP, legal counsel to the Company, with respect to various legal and tax matters relating to the Company, the Offer and other matters considered relevant;
17. discussions and negotiations among representatives of SilverBirch and Teck;

18. various investor presentations prepared by SilverBirch management for the investment community;
19. public information relating to the business, operations, financial performance and stock trading history of the Company and other selected public companies considered by us to be relevant;
20. various research publications prepared by equity research analysts regarding the Company and other selected public companies deemed relevant;
21. public information with respect to other transactions of a comparable nature considered by us to be relevant;
22. public information regarding the Canadian oil sands and global oil & gas industries;
23. representations contained in a certificate dated January 8, 2012 from senior officers of the Company; and
24. such other corporate, industry and financial market information, investigations and analyses as TD Securities considered necessary or appropriate in the circumstances.

TD Securities has not, to the best of its knowledge, been denied access by SilverBirch to any information requested by TD Securities. TD Securities has assumed the accuracy and fair presentation of and relied upon the audited financial statements of SilverBirch and the reports of the auditors thereon.

#### **PRIOR VALUATIONS**

SilverBirch has represented to TD Securities that, among other things, it has no knowledge of any prior valuations or appraisals relating to SilverBirch or any of its subsidiaries or any of its material assets or liabilities made in the preceding 24 months and which have not been provided to TD Securities.

#### **ASSUMPTIONS AND LIMITATIONS**

With the Company's acknowledgement and agreement as provided for in the Engagement Agreement, TD Securities has relied upon the accuracy, completeness and fair presentation of all data and information filed by the Company with securities regulatory or similar authorities (including on the System for Electronic Document Analysis and Retrieval ("SEDAR")) or provided to it by the Company and its personnel, advisors, or otherwise, including the certificate provided by senior officers of SilverBirch (collectively, the "Information"). The Opinion is conditional upon such accuracy, completeness and fair presentation. Subject to the exercise of professional judgment, and except as expressly described herein, TD Securities has not attempted to verify independently the accuracy or completeness of any of the Information.

With respect to the budgets, forecasts, projections or estimates provided to TD Securities and used in its analyses, TD Securities notes that projecting future results is inherently subject to uncertainty. TD Securities has assumed, however, that such budgets, forecasts, projections and estimates were prepared using the assumptions identified therein and on bases reflecting the best currently available estimates and judgments of SilverBirch management as to the matters covered thereby and which, in the opinion of the Company, are (or were at the time of preparation and continue to be) reasonable in the circumstances. TD Securities expresses no independent view as to the reasonableness of such budgets, forecasts, projections and estimates or the assumptions on which they are based.

Senior officers of SilverBirch have, on behalf of SilverBirch, represented to TD Securities in a certificate (the "Certificate") dated January 8, 2012 among other things, that:

1. the information provided orally by, or in the presence of, an officer or employee of the Company or in writing by the Company or any of its subsidiaries (as such term is defined in the Securities Act (Ontario)) or their respective agents to TD Securities for the purpose of preparing the Opinion was, at the date the information was provided to TD Securities, and is at the date of the Certificate

complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of the Company, its subsidiaries or the Arrangement and did not and does not omit to state a material fact in respect of the Company, its subsidiaries or the Arrangement necessary to make the information or any statement contained therein not misleading in light of the circumstances under which the information was provided or any statement was made;

2. since the dates on which the information was provided to TD Securities, except as disclosed in writing to TD Securities, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries and no material change has occurred in the information or any part thereof which would have or which would reasonably be expected to have a material effect on the Opinion;
3. to the best of their knowledge, information and belief after due inquiry, there are no independent appraisals or valuations or material non-independent appraisals or valuations relating to the Company or any of its subsidiaries or any of their respective material assets or liabilities which have been prepared as of a date within the two years preceding the date of the Certificate and which have not been provided to TD Securities;
4. since the dates on which the information was provided to TD Securities, no material transaction has been entered into by the Company or any of its subsidiaries;
5. they have no knowledge of any facts not contained in or referred to in the information provided to TD Securities by the Company which would reasonably be expected to affect the Opinion, including the assumptions used, the scope of the review undertaken or the conclusions reached;
6. other than as disclosed in the information, to the best of their knowledge, information and belief after reasonable inquiry, the Company and its subsidiaries do not have any material contingent liabilities and there are no actions, suits, proceedings or inquiries pending or threatened in writing against or affecting the Company or any of its subsidiaries at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, bureau, board, agency or instrumentality which may in any way materially adversely affect the Company and its subsidiaries taken as a whole;
7. all financial material, documentation and other data concerning the Arrangement, the Company and its subsidiaries, including any projections or forecasts, provided to TD Securities were prepared on a basis consistent in all material respects with the accounting policies applied in the audited, consolidated financial statements of the Company dated as at December 31, 2010, reflect the assumptions disclosed therein (which assumptions management of the Company believes to be reasonable) and do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such financial material, documentation or data or any statement contained therein not misleading in light of the circumstances in which such financial material, documentation and data was provided to TD Securities or any statement therein was made;
8. to the best of their knowledge, information and belief after due inquiry, no verbal or written offers for all or a material part of the properties and assets owned by, or the securities of, the Company or any of its subsidiaries have been received and no negotiations have occurred relating to any such offer within the two years preceding the date of the Certificate which have not been disclosed to TD Securities;
9. there are no agreements, undertakings, commitments or understandings (written or oral, formal or informal) relating to the Arrangement, except as have been disclosed to TD Securities; and
10. the contents of all disclosure documents prepared in connection with the Arrangement are true and correct in all material respects and do not contain any misrepresentation (as defined in the Securities Act (Ontario)) and such disclosure documents comply with all requirements under applicable laws.

With respect to all legal and tax matters relating to the Arrangement and the implementation and effect thereof, we have relied upon the advice and representations provided to us by or on behalf of SilverBirch and have relied upon and assumed the completeness and accuracy of such advice and representations, including the validity and efficacy of the procedures being followed to implement the Arrangement. We are not legal, tax, accounting or regulatory experts and we express no opinion concerning any legal, tax, accounting or regulatory matters concerning the Arrangement (or the tax effect thereof on any person or entity) or the sufficiency of this Opinion for the Board's purposes. TD Securities did not render advice to the Board regarding legal, tax, accounting or regulatory matters.

In preparing the Opinion, TD Securities has made several assumptions, including that all final or executed versions of documents will conform in all material respects to the drafts provided to TD Securities, conditions required to implement the Arrangement will be met, all consents, permissions, exemptions or orders of relevant regulatory authorities or third parties will be obtained without adverse condition or qualification, the procedures being followed to implement the Arrangement are valid and effective, the Information Circular will be distributed to Shareholders, the disclosure therein will be complete and accurate in all material respects, and such distribution and disclosure will comply, in all material respects, with the requirements of all applicable laws and court orders. In its analysis in connection with the preparation of the Opinion, TD Securities made numerous assumptions with respect to industry performance, general business and economic conditions, and other matters, many of which are beyond the control of TD Securities, the Company or their respective affiliates. Among other things, TD Securities has assumed the accuracy, completeness and fair presentation of, and has relied upon, the financial statements forming part of the Information.

This Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of the Investment Industry Regulatory Organization of Canada ("IIROC") but IIROC has not been involved in the preparation or review of this Opinion.

The Opinion has been provided for the use of the Board and the Opinion may not be used or relied upon by any other person other than the Board without the express prior written consent of TD Securities. The Opinion does not address the relative merits of the Offer as compared to other transactions or business strategies that might be available to the Company. In considering fairness, from a financial point of view, TD Securities considered the Offer from the perspective of Shareholders generally and did not consider the specific circumstances of any particular Shareholder, including with regard to income tax consideration. The Opinion is rendered as of January 8, 2012 on the basis of securities markets, economic and general business and financial conditions prevailing on that date and the condition and prospects, financial and otherwise, of the Company and its respective subsidiaries and affiliates as they were reflected in the Information provided to TD Securities. Any changes therein may affect the Opinion and, although TD Securities reserves the right to change or withdraw the Opinion in such event, it disclaims any undertaking or obligation to advise any person of any such change that may come to its attention, or update the Opinion after such date.

The preparation of an opinion is a complex process and is not necessarily amenable to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. TD Securities believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create an incomplete view of the process underlying the Opinion. Accordingly, the Opinion should be read in its entirety.

**CONCLUSION**

Based upon and subject to the foregoing and such other matters as we considered relevant, TD Securities is of the opinion that, as of January 8, 2012, the Consideration to be received by Shareholders pursuant to the Arrangement is fair, from a financial point of view, to Shareholders other than Teck and Teck's affiliates.

Yours very truly,

*TD Securities Inc.*

**TD SECURITIES INC.**

**APPENDIX G – INFORMATION CONCERNING SILVERWILLOW**

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### SCHEDULES

Schedule A	Audited Statement of Financial Position of SilverWillow as at January 5, 2012
Schedule B	Audited Schedule of Exploration and Evaluation Assets and Property and Equipment Comprised in the Spin-Off Assets of SilverBirch as at September 30, 2011
Schedule C	Unaudited Pro Forma Statement of Financial Position of SilverWillow as at September 30, 2011
Schedule D	Technical Review of the Audet Lands in the Athabasca Oil Sands Region of Alberta for SilverBirch Energy Corporation and SilverWillow Energy Corporation (as of September 30, 2011) dated February 28, 2012

## NOTICE TO READER

As at the date hereof, SilverWillow has not carried on any active business other than in connection with the Arrangement and related matters. The Arrangement provides SilverBirch Shareholders with the opportunity to participate in the business of SilverWillow through the ownership of SilverWillow Shares. Assuming the Arrangement Resolution is approved, immediately following the Effective Time, among other things, a SilverBirch Shareholder (other than a Dissenting SilverBirch Shareholder) will ultimately receive, for each SilverBirch Common Share held, one SilverWillow Share, and SilverWillow will own the Spin-Off Assets. Unless otherwise noted, the disclosure in this Appendix has been prepared assuming that the issuance of such SilverWillow Shares has been completed and that SilverWillow is the owner of the Spin-Off Assets.

All capitalized terms used in this Appendix but not otherwise defined herein have the meanings set forth in the "Glossary of Terms" in the Information Circular to which this Appendix is attached.

No securities regulatory authority or the TSX-V has expressed an opinion about the Arrangement or the SilverWillow Shares to be issued pursuant to the Arrangement and it is an offence to claim otherwise.

An investment in SilverWillow should be considered highly speculative due to the nature of its activities and the present stage of its development. SilverWillow was incorporated for the sole purpose of participating in the Arrangement and has not carried on any active business other than in connection with the Arrangement and related matters. See "Risk Factors".

The following information is a summary of the business and affairs of SilverWillow and should be read together with the more detailed information regarding the Arrangement contained elsewhere in the Information Circular and the financial statements and resource disclosure relating to SilverWillow and the Audet Lands, as applicable, in the Schedules attached to this Appendix.

In this Appendix, dollar amounts are expressed in Canadian dollars unless otherwise stated.

### FORWARD-LOOKING STATEMENTS

This Appendix contains forward-looking statements and forward-looking information (collectively referred to herein as "**forward-looking statements**") within the meaning of applicable Securities Laws and U.S. Securities Laws and the U.S. Private Securities Litigation Reform Act of 1995. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "will", "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "may", "project", "should", "considers", "opportunity", "focused", "potential", "goal", "possible", "would" and variations of such words and similar expressions are intended to identify forward-looking statements. These statements and information are only predictions. Actual events or results may differ materially from the events and results expressed in the forward-looking statements. In addition, this Appendix may contain forward-looking statements attributed to third-party industry sources. Undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions and known and unknown risks and uncertainties, both general and specific that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur.

Specific forward-looking statements contained in this Appendix include, among others, statements regarding: activities, events or developments that either SilverBirch or SilverWillow expects or anticipates will or may occur in the future, including SilverBirch's and SilverWillow's assessment of future plans and operations; statements with respect to the Arrangement; the stock exchange listing of SilverWillow Shares issued under the Arrangement and the timing of commencement of trading of the SilverWillow Shares; the business of the Meeting; the acquisition of the Spin-Off Assets pursuant to the Arrangement; the estimate of the working capital that SilverWillow will have upon completion of the Arrangement; expectations regarding compensation plans of SilverWillow; financial information relating to SilverWillow; business plans of SilverWillow and plans for the exploration, evaluation, delineation and development of the Spin-Off Assets; the work programs for the Audet Lands and the Birch Mountain Lands; potential recovery processes; the status of SilverWillow as a reporting issuer; the terms pursuant to which the Spin-Off Assets will be transferred to SilverWillow; the expected costs and expenditures associated with exploration, evaluation, delineation and development of the Spin-Off Assets; industry information regarding bitumen estimates for Canada and the Athabasca Oil Sands Area; timing and sources of financing; further capital requirements; estimated taxes; production methods; SilverWillow's estimated general financial performance in future periods; the timing of filing regulatory applications; SilverWillow's resource estimates relating to the Audet Lands; expectations with respect to the officers, directors, employees and contractors of SilverWillow; estimated abandonment and reclamation costs; any expansion plans for SilverWillow's properties or assets, including acquisition opportunities; the impact of governmental controls and regulations on SilverWillow's operations; SilverWillow's competitive advantages and ability to compete successfully; SilverWillow's expectations regarding the development and production potential of its properties including through the use of emerging technologies; the timing of receipt of required approvals and permits from regulatory authorities; expectations respecting a bank loan facility and the uses thereof; SilverWillow's assets, liabilities, financial resources, financial position and growth prospects; any anticipated amendments



to the capital structure of SilverWillow; the impact of uncertainty in the capital markets on the debt and equity markets; SilverWillow's expectations regarding global capital markets; expectations with respect to the expiration of rights to explore, develop and exploit SilverWillow's properties; cash projections and the components thereof; expectations for uses of funds; expectations with respect to bank financing and hedging commitments; any decision to pay dividends in the future; principal shareholders of SilverWillow; anticipated shareholdings of directors and executive officers; establishment of committees of the SilverWillow Board of Directors; compensation of executive officers and fees for directors; expectations with respect to option grants; intentions with respect to compliance with environmental requirements; insurance policies of SilverWillow; community initiatives and relationships of SilverWillow; and intentions with respect to the implementation of programs that support an environmental management system and attempts to manage and mitigate the environmental impact of oil sands development.

Statements relating to "resources" are forward-looking statements, as they involve the implied assessment, based on estimates and assumptions, that the resources described exist in the quantities predicted or estimated.

With respect to forward-looking statements contained in this Appendix, SilverBirch and SilverWillow have made assumptions regarding, among other things: the expected costs to explore, evaluate and develop the Spin-Off Assets and the expected costs to further explore and evaluate the Audet Lands and the Birch Mountain Lands; future crude oil, bitumen and natural gas prices; the plans of counterparties; SilverWillow's ability to obtain qualified staff and equipment in a timely and cost-efficient manner to meet its demands; the regulatory framework with respect to royalties, taxes, environmental matters, resource recovery and securities matters in the jurisdiction in which SilverWillow will conduct its business; the timing and progress of work relating to the Spin-Off Assets; continuity of resource between core holes; future production levels; future capital expenditures; future sources of funding for SilverWillow's capital program; future availability of and access to diluent and transportation; future debt levels; future business plans of SilverWillow; SilverWillow's geological and engineering estimates; the geography of the areas in which SilverWillow will be exploring; the impact of increasing competition; SilverWillow's ability to obtain financing on acceptable terms; the sufficiency of budgeted capital expenditures in carrying out planned activities; that SilverWillow will be able to assume SilverBirch's role with respect to the Spin-Off Assets; the receipt, in a timely manner of regulatory, SilverBirch Shareholder and third-party approvals in respect of the Arrangement; costs associated with SilverBirch operations; costs of the Arrangement; and joint venture and other arrangements with counterparties and their applicability to the Arrangement. These assumptions are based on certain factors and events that are not within the control of SilverBirch and SilverWillow and there is no assurance they will prove to be correct.

The forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied in such forward-looking statements. Such risks, uncertainties and factors include, among others: the early stage of development of SilverWillow and the Spin-Off Assets and the nature of the exploration, evaluation and development activities on the assets that will comprise the primary business of SilverWillow; difficulties attracting qualified personnel; the risk of termination or expiration of leases; operational hazards; relationships with counterparties; the impact of Aboriginal rights or claims; difficulties encountered during the exploration for, evaluation of, delineation, development and production of bitumen; costs and risks associated with exploration for, evaluation of, delineation, development and production of bitumen; the impact of competition; the need to obtain required approvals and permits from regulatory authorities; liabilities as a result of accidental damage to the environment; compliance with and liabilities under environmental laws and regulations; the uncertainty of estimates by SilverBirch's independent consultants with respect to discovered bitumen resources relating to the Audet Lands; risks and uncertainty relating to the development potential of such discovered bitumen resources; the volatility of crude oil and natural gas prices and of the differential between heavy and light crude oil prices; changes in the foreign exchange rate amount between the Canadian dollar and the U.S. dollar; risks that financial counterparties may not fulfill financial obligations due to SilverBirch or SilverWillow; liquidity and capital market constraints on SilverWillow; the risk that SilverWillow is unable to sufficiently protect its proprietary technology or may be subject to technology infringement claims from third parties; general economic conditions in Canada, the United States, and global markets; failure to obtain industry partners and other third-party consents and approvals when required; royalties payable in respect of SilverWillow's production; the impact of amendments to the Tax Act on SilverWillow; changes in or the introduction of new government regulations, in particular related to carbon dioxide ("CO<sub>2</sub>") relating to SilverWillow's business; the uncertainty of SilverWillow's ability to attract debt or equity capital when necessary; risks relating to there being no prior public market for the SilverWillow Shares and the liquidity of the SilverWillow Shares; risks to SilverWillow relating to the Arrangement; the consummation of the Arrangement being dependent on the satisfaction of customary closing conditions, the approval of SilverBirch's Shareholders and the approval of the Court; the risk of termination of the Arrangement Agreement; failure to achieve a stock exchange listing for the SilverWillow Shares; and classification of SilverWillow as a PFIC. The estimated working capital of SilverWillow upon completion of the Arrangement is inherently difficult to calculate and dependent upon assumptions such as future results of SilverBirch operations up to the date of calculation, the trading price of SilverBirch Common Shares prior to the completion of the Arrangement, costs of the Arrangement and other factors. The actual working capital amount at the close of the Arrangement may be materially different than the current estimate and such a difference could have a material adverse effect on the financial position of SilverWillow.

Readers are cautioned that the foregoing lists are not exhaustive. The information contained in this Appendix, including the information provided under the heading "Risk Factors", and the information contained elsewhere in the Information

Circular or the documents incorporated by reference therein, including the information provided under the heading "Risk Factors" in the Information Circular, discusses certain of the items identified above and their impact more fully and identifies additional uncertainties that could affect the performance and operating results of SilverWillow. Readers are urged to carefully consider those factors and the other information contained in this Appendix and elsewhere in the Information Circular or the documents incorporated by reference therein. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are interdependent, and management's future course of action would depend on the assessment of all information at that time.

Management has included the above summary of assumptions and risks related to the forward-looking statements provided in this Appendix in order to provide SilverBirch Shareholders with a more complete perspective on the future operations of SilverWillow and such information may not be appropriate for other purposes. SilverWillow's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, the benefits that SilverWillow will derive therefrom.

Neither SilverBirch nor SilverWillow give any assurance nor make any representations or warranties that the expectations conveyed by the forward-looking statements will prove to be correct and actual results may differ materially from those anticipated in the forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements in this Appendix. All of the forward-looking statements made in this Appendix are qualified by these cautionary statements. SilverBirch and SilverWillow undertake no obligation to publicly update or revise any forward-looking statements to reflect new information, subsequent events or otherwise, unless so required by applicable Securities Laws.

See also "Forward-Looking Statements" in the Information Circular.

#### **DISCLOSURE OF DISCOVERED RESOURCES**

In this Appendix, SilverBirch has disclosed estimated volumes of discovered bitumen initially-in-place ("DBIIP") based on information set forth in the Sproule Audet Technical Review.

**Resources do not constitute, and should not be confused with, reserves. See "Principal Properties – Audet Lands – Audet Lands Oil Sands Resource Estimates". Resource estimates provided herein are estimates only. There is no certainty that it will be commercially viable to produce any portion of the resources. Actual resources (and any volumes that may be classified as reserves) and future production from such resources may be greater than or less than the estimates provided herein.**

#### **CORPORATE STRUCTURE**

##### **Name, Address and Incorporation**

SilverWillow Energy Corporation was incorporated under the CBCA on January 5, 2012. The registered and principal business office of SilverWillow is located at 1500, 202 – 6<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 2R9.

##### **Intercorporate Relationships**

As at the date hereof, SilverWillow is a wholly-owned subsidiary of SilverBirch. After giving effect to the Arrangement, SilverWillow will be directly and indirectly wholly-owned by the SilverBirch Shareholders who hold SilverBirch Common Shares immediately prior to the Effective Time other than those SilverBirch Shareholders who exercise the Dissent Rights provided under the terms of the Arrangement. SilverWillow does not have any subsidiaries.

#### **GENERAL DEVELOPMENT OF THE BUSINESS**

##### **General**

SilverWillow was incorporated for the sole purpose of participating in the Arrangement and has not carried on any active business other than in connection with the Arrangement and related matters. Following completion of the Arrangement, SilverWillow will carry on the current exploration, evaluation and development business related to the Audet Lands, the Birch Mountain Lands and the Other Exploration Lands.

A complete description of the business to be carried on by SilverWillow following completion of the Arrangement is provided in this Appendix. Attached as Schedule A to this Appendix is an audited statement of financial position of SilverWillow as at January 5, 2012, together with the auditors' report thereon. Attached as Schedule B to this Appendix is an audited schedule of exploration and evaluation assets and property and equipment comprised in the Spin-Off Assets of SilverBirch, which for greater certainty, excludes Teck's 50 percent working interest in the Birch Mountain Lands and the Jordan Lands, as at September 30, 2011, together with the auditors' report thereon. Unaudited pro forma financial information concerning SilverWillow after the acquisition of the Spin-Off Assets, which for greater certainty, includes Teck's 50 percent working interest in the Birch Mountain Lands and the Jordan Lands, is provided in the unaudited pro forma statement of financial position of SilverWillow as at September 30, 2011, attached as Schedule C to this Appendix.

## **The Arrangement and Other Matters to be Considered at the Meeting**

### ***The Arrangement***

*The following is a summary of certain terms of the Arrangement Agreement and the Plan of Arrangement and is subject to, and qualified in its entirety by, the full text of the Arrangement Agreement and the Plan of Arrangement, which are attached to the Information Circular as Appendix C and Appendix D, respectively.*

Pursuant to the Plan of Arrangement, subject to certain conditions and among other transactions, the Purchaser will acquire all of the issued and outstanding SilverBirch Common Shares (other than SilverBirch Common Shares already owned by Teck or the Purchaser). Under the Arrangement, a holder of SilverBirch Common Shares (other than a Dissenting SilverBirch Shareholder) will ultimately receive, in exchange for each SilverBirch Common Share, Cdn\$8.50 in cash (less applicable withholdings) and one SilverWillow Share. In addition, SilverBirch will transfer the Spin-Off Assets to SilverWillow and SilverWillow will assume the Assumed Liabilities pursuant to the terms of the Transfer Agreement.

Assuming that no Dissent Rights are exercised by SilverBirch Shareholders, upon completion of the Arrangement, each SilverBirch Shareholder will hold (directly or indirectly) the same number and proportion of the outstanding SilverWillow Shares as he, she or it held of the outstanding SilverBirch Common Shares immediately prior to the Effective Time. See "The Arrangement" and "Dissenting SilverBirch Shareholder Rights" in the Information Circular.

### ***TSX-V Listing and Securities Law Matters***

SilverWillow has applied to list the SilverWillow Shares on the TSX-V (Tier 2). The TSX-V has conditionally accepted the listing of the SilverWillow Shares. Listing is subject to SilverWillow fulfilling all of the requirements of the TSX-V. There can be no assurance that the TSX-V will list the SilverWillow Shares. If listing approval is ultimately obtained prior to the Effective Time, trading in the SilverWillow Shares is expected to commence concurrently with the delisting of the SilverBirch Common Shares from the TSX-V.

Upon completion of the Arrangement, SilverWillow will become a reporting issuer or the equivalent thereof in all Canadian provinces, and will become subject to the informational reporting requirements under Securities Laws. SilverWillow Shares to be issued to SilverBirch Shareholders pursuant to the Arrangement will, subject to certain trading restrictions under Securities Laws and U.S. Securities Laws, generally not be subject to any resale or transfer restrictions. See "The Arrangement – Canadian Securities Law Matters" and "The Arrangement – United States Securities Law Matters" in the Information Circular.

### ***Other Matter to Be Considered at the Meeting***

At the Meeting, SilverBirch Shareholders will be asked to consider and, if deemed advisable, ratify and approve the adoption by SilverWillow of the SilverWillow Stock Option Plan, which will authorize the SilverWillow Board of Directors to issue share purchase options to purchase SilverWillow Shares ("**SilverWillow Options**") to directors, executive officers, employees and consultants of SilverWillow and its subsidiaries. To be adopted, the ordinary resolution must be approved by a simple majority of votes cast at the Meeting by SilverBirch Shareholders. Approval of the SilverWillow Stock Option Plan by SilverBirch Shareholders will be required by the TSX-V. In the event that the SilverWillow Stock Option Plan is not approved at the Meeting, it is expected that SilverWillow would consider the provision of comparable compensation to its directors, executive officers, employees and consultants in the form of cash or other appropriate arrangements. A copy of the SilverWillow Stock Option Plan is set out in Appendix H to the Information Circular. See "Other Matter of Special Business Relating to SilverWillow – Approval of SilverWillow Stock Option Plan" in the Information Circular.

### **The Transfer Agreement**

*The following is a summary of certain terms of the current form of Transfer Agreement and is subject to, and qualified in its entirety by, the full text of the current form of Transfer Agreement which is attached to the Arrangement Agreement as Schedule D.*

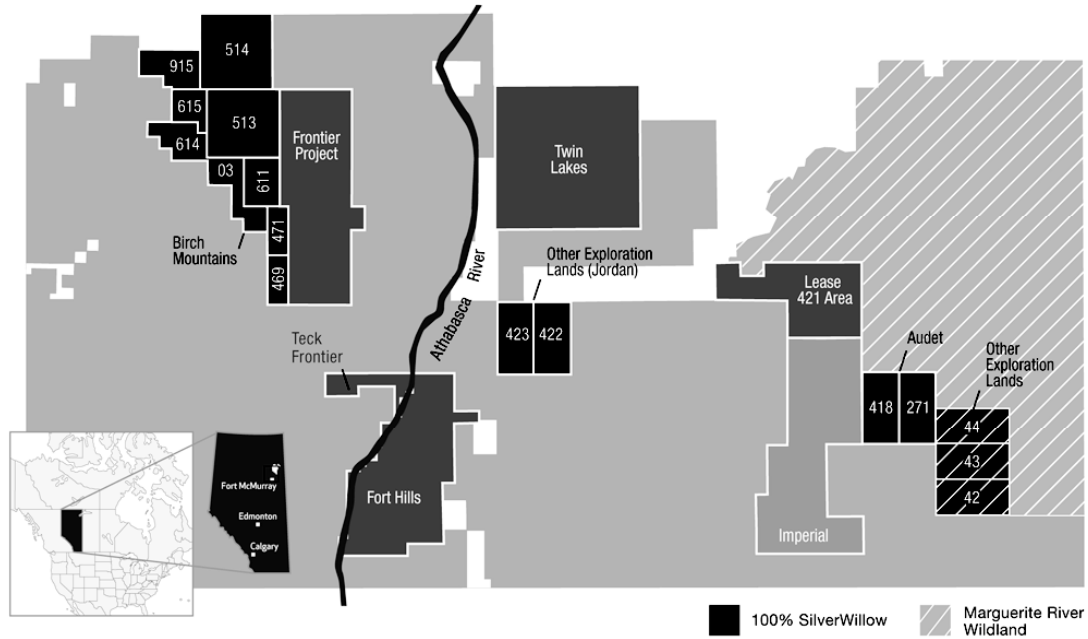
The completion of the Arrangement is conditional upon SilverWillow entering into the Transfer Agreement with SilverBirch and the Frontier Partnership whereby, among other things, SilverBirch will transfer the Spin-Off Assets to SilverWillow and SilverWillow will assume the Assumed Liabilities. See "The Arrangement – The Transfer Agreement" in the Information Circular.

### ***The Spin-Off Assets***

Pursuant to the terms of the Transfer Agreement, the Spin-Off Assets include the Oil Sands Rights (as defined below), Tangibles (as defined below), Miscellaneous Interests (as defined below), the office leases currently held by SilverBirch and the Other Transferred Assets (as defined below) that will be held by SilverBirch at the time of entering into the Transfer Agreement in relation to the Audet Lands, the Birch Mountain Lands and the Other Exploration Lands which at

such time will include Teck's 50 percent working interest in the Birch Mountain Lands and the Jordan Lands to be transferred by Teck to SilverBirch as part of the Arrangement and included in the Spin-Off Assets.

The oil sands leases to be held by SilverWillow are outlined on the map below. The Audet Lands will be comprised of a 100 percent working interest in two exploration oil sands leases identified by Alberta Oil Sands Lease Numbers 418 and 271. These leases cover 23,040 acres of undeveloped lands in the Athabasca Oil Sands Area and have *in situ* oil sands potential. The Audet Lands are located 110 kilometres north-east of Fort McMurray, and approximately 40 kilometres north of Cenovus Energy Inc.'s ("**Cenovus**") proposed Telephone Lake project.



The Birch Mountain Lands will be comprised of a 100 percent working interest in nine exploration oil sands leases identified by Alberta Oil Sands Lease Numbers 469, 471, 513, 514, 611, 614, 615, 915 and 003, covering 94,080 acres in the Athabasca Oil Sands Area. The Birch Mountain Lands are located immediately adjacent to and west of the Frontier Project, approximately 110 kilometres north of Fort McMurray.

In addition to the Audet Lands and the Birch Mountain Lands, the Other Exploration Lands will also be transferred to SilverWillow. The Other Exploration Lands will include a 100 percent working interest in the Jordan Lands which are comprised of two exploration oil sands leases identified by Alberta Oil Sands Lease Numbers 422 and 423, covering 23,040 acres in the Athabasca Oil Sands Area and a 100 percent working interest in three oil sands leases identified by Alberta Oil Sands Lease Numbers 042, 043 and 044, covering 34,560 acres in the Athabasca Oil Sands Area.

The Oil Sands Rights included in the Spin-Off Assets will include SilverBirch's rights to explore for, drill for, develop, own or remove petroleum substances within, on or under the Audet Lands, the Birch Mountain Lands and the Other Exploration Lands insofar as such rights are granted by the leases relating to such properties, but excluding such rights insofar as they pertain to the Retained Projects (collectively, the "**Oil Sands Rights**").

The Tangibles included in the Spin-Off Assets will include SilverBirch's right, title and interest in the tangible depreciable property or assets that are used or useful solely in connection with the production, gathering, treatment, storage, compression, processing, transportation, injection, removal or other operations relating to the Oil Sands Rights, and includes all tangible depreciable property and assets that form part of or are used in connection with them (including the tangible equipment, if any, relating to all drill, test and evaluation holes and water source, observation, disposal, injection and other wells on the lands comprising the Oil Sands Rights (collectively, the "**Spin-Off Wells**") and downhole equipment and includes pipelines that have been abandoned or removed), but excluding such rights, title and interests insofar as they pertain to the Retained Projects (collectively the "**Tangibles**").

The Miscellaneous Interests included in the Spin-Off Assets will include SilverBirch's right, title and estate in and to all property, assets and rights, whether contingent or absolute, legal or beneficial, present or future, vested or not (other than

the Oil Sands Rights or the Tangibles) associated with or used in connection with either the Oil Sands Rights or Tangibles, but excluding the Retained Projects (collectively, the "**Miscellaneous Interests**").

The Transferred Working Capital which will be included in the Spin-Off Assets shall be an amount that is equal to all of the current assets of SilverBirch as at the Effective Time (other than the Retained Assets) after giving effect to the contribution of the Contributed Amount, less the aggregate amount of the accounts payable, deferred revenues and other current liabilities of SilverBirch as at the Effective Time, calculated in accordance with Canadian GAAP on a basis consistent with Schedule B of the Transfer Agreement (the "**Transferred Working Capital**"). The current assets forming part of the Transferred Working Capital will form part of the Spin-Off Assets, and the liabilities reflected in the Transferred Working Capital will form part of the Assumed Liabilities to be assumed by SilverWillow under the Transfer Agreement. SilverBirch will prepare, in consultation with Teck, and provide a working capital statement (the "**Working Capital Statement**") representing the Transferred Working Capital of SilverBirch as at the Effective Date. SilverBirch expects and the disclosure in this Appendix G assumes that the amount of Transferred Working Capital will be approximately Cdn\$23 million, which SilverBirch expects is sufficient to fund approximately 12 months of exploration and evaluation activities on the Audet Lands and the Birch Mountain Lands and general and administrative expenses of SilverWillow. See "Available Funds and Principal Purposes".

The Other Transferred Assets included in the Spin-Off Assets are all assets, property and undertakings of SilverBirch, other than the Oil Sands Rights, Tangibles, Miscellaneous Interests, the office leases currently held by SilverBirch and the assets to be retained by SilverBirch or the Frontier Partnership, but including the Transferred Working Capital, office furniture and furnishings and the goodwill of SilverBirch, except to the extent such goodwill is related to the projects retained by SilverBirch (including the Frontier Project) (collectively, the "**Other Transferred Assets**").

#### ***SilverWillow Liabilities***

Pursuant to the Transfer Agreement, SilverWillow will covenant in favour of SilverBirch to assume, pay, discharge and perform all of the liabilities of SilverBirch other than the Excluded Liabilities (as defined below) which liabilities include the following (the "**Assumed Liabilities**"):

- (a) those liabilities attributable to periods after the Closing Date under each of the Spin-Off Leases and contracts relating to the ownership, operation or development of the Spin-Off Assets entered into in the normal course of the oil and gas business or otherwise relating to or arising with respect to the Spin-Off Assets;
- (b) any taxes of SilverBirch for any taxation year of SilverBirch ending on or before the Closing Date and any taxes of SilverBirch for any taxation year of SilverBirch commencing on or ending after the Closing Date computed on a basis that such taxation year ended immediately before the transfer of the SilverBirch Class A Shares to the Purchaser under the Plan of Arrangement;
- (c) all transaction expenses and all other liabilities of SilverBirch that are not specifically attributable to the assets retained by SilverBirch;
- (d) all other liabilities arising out of ownership or operation of, or otherwise relating to the Spin-Off Assets, whether incurred or arising, before or after the Closing Date;

except to the extent SilverBirch has received a credit for such liabilities by way of any cash amounts retained by SilverBirch.

The "**Excluded Liabilities**" are those liabilities attributable to periods before, on or after the Closing Date relating specifically to or arising specifically with respect to the assets retained by SilverBirch (including all environmental and reclamation liabilities relating to the assets retained by SilverBirch) or any liabilities under the Loan or the Frontier Costs.

#### ***SilverWillow Indemnities in Favour of SilverBirch***

Pursuant to the Transfer Agreement, SilverWillow will indemnify, defend and save harmless SilverBirch, its successors and assigns from and against any and all losses, liabilities, and claims suffered or incurred by any of them or made against any of them arising or resulting from or in connection with, directly or indirectly:

- (a) the Spin-Off Assets and/or Assumed Liabilities whether occurring before, on or after the Effective Time;
- (b) the breach of any representation, warranty, covenant or agreement of SilverWillow set forth in the Transfer Agreement or a breach of any covenant, agreement or indemnity of SilverWillow in any document delivered in connection with the Transfer Agreement;
- (c) whether arising before, on or after the Effective Time, all environmental and reclamation liabilities and environmental claims relating to acts, omissions or occurrences in respect of the Spin-Off Assets;
- (d) any failure by SilverBirch to obtain the consent of, or provide notice to, any third party or Governmental Entity required in connection with the consummation of the transactions contemplated by the Transfer Agreement;

- (e) the Amended and Restated Indemnity Agreement among Total E&P Canada Ltd., UTS and SilverBirch made effective as of the 6<sup>th</sup> day of July 2010; and
- (f) any taxes of SilverBirch for any taxation year of SilverBirch ending on or before the Closing Date and any taxes of SilverBirch for any taxation year of SilverBirch commencing on or ending after the Closing Date computed on a basis that such taxation year ended immediately before the transfer of the SilverBirch Class A Shares to the Purchaser under the Plan of Arrangement.

Such indemnities provided by SilverWillow will not apply to the extent that the losses, liabilities or claims are reimbursed by insurance or are caused by the negligence, wilful default or misconduct following the Closing Date of the party claiming indemnity, the indemnified party receiving a credit for such liabilities by way of the cash to be retained by SilverBirch, or the aggregate of such losses, liabilities and claims being less than Cdn\$250,000, provided that if such losses, liabilities or claims exceed Cdn\$250,000, such indemnities shall apply to all losses, liabilities and claims.

## **DESCRIPTION OF THE BUSINESS**

### **General Description of the Business**

SilverWillow was incorporated for the sole purpose of participating in the Arrangement and has not carried on any active business other than in connection with the Arrangement and related matters. SilverWillow is a pre-production oil sands company focused on the exploration for, and the development of, *in situ* opportunities within the oil sands and heavy oil industry of Alberta, Canada. Following completion of the Arrangement, SilverWillow will carry on the current exploration, evaluation and development business currently carried on by SilverBirch and Teck, as applicable, with respect to the Audet Lands, the Birch Mountain Lands and the Other Exploration Lands. SilverWillow intends to focus on the exploration and evaluation of the Spin-Off Assets, as well as the identification of possible oil sands lease acquisition opportunities. SilverWillow will initially focus on activities related to progressing its understanding of the Audet Lands including further resource delineation, additional cap rock evaluation, a 2D seismic program, a hydrogeological evaluation to determine potential water sources, commissioning/conducting an environmental baseline assessment, and preparing the preliminary engineering design for a pilot steam assisted gravity drainage ("**SAGD**") project which can be used in the preparation of a regulatory application. In addition, SilverWillow expects to complete a desktop geological study of the Birch Mountain Lands. SilverWillow believes the Birch Mountain Lands hold oil sands potential which may be amenable to *in situ* development and, based on the results of the desktop geological study, expects to plan and conduct a seismic acquisition program on these lands as part of its exploration strategy. In addition to its core activities on the Audet Lands and the Birch Mountain lands, the management team of SilverWillow will consider opportunities both inside and outside the oil sands that will yield value to the SilverWillow Shareholders. See "Principal Properties — Audet Lands – Proposed Operations – Audet Lands" and "Principal Properties– Birch Mountain Lands – Proposed Operations – Birch Mountain Lands".

It is currently estimated that SilverWillow will have approximately Cdn\$23 million of working capital after closing of the Arrangement. SilverWillow believes this is sufficient to fund approximately 12 months of exploration and evaluation work on the Audet Lands and the Birch Mountain Lands and general and administrative expenses for SilverWillow. The estimated working capital of SilverWillow upon completion of the Arrangement is inherently difficult to calculate and dependent upon assumptions such as future results of SilverBirch operations up to the date of calculation, the trading price of SilverBirch Common Shares prior to the completion of the Arrangement, costs of the Arrangement and other factors. The actual working capital amount at the close of the Arrangement may be materially different than the current estimate and such a difference could have a material adverse effect on the financial position of SilverWillow. See "Risk Factors – Risks Related to the Arrangement".

### ***Production and Services***

SilverWillow expects that portions of the Audet Lands may be developed utilizing existing commercially proven SAGD technologies, pending its definition of areas with suitable cap rock. For areas of the Audet Lands that are unsuitable for the use of SAGD, SilverWillow may rely on other developing *in situ* technologies for extraction including solvent extraction, thermal assisted gravity drainage, and/or electromagnetic heating.

Currently there is insufficient information to determine the method of production of any potential bitumen resources on the Birch Mountain Lands; however, development plans being proposed by other lease holders that have made discoveries of bitumen resources in the Birch Mountain area to the south of the SilverWillow leases are proposing the use of conventional SAGD technologies.

### ***Specialized Skill and Knowledge***

In connection with the proposed Arrangement, a majority of the officers of SilverBirch have also been appointed the officers of SilverWillow. See "Description of the Business – General Description of the Business – Employees" and "Directors and Executive Officers".

The SilverWillow management team has significant expertise in the exploration, evaluation and development engineering planning related to large oil sands projects in remote locations. Over the past number of years, SilverWillow management

has gained significant geological and operations experience in the Athabasca Oil Sands Area through repeated exploration programs, including with UTS and SilverBirch. In addition, the SilverWillow management team provides technical expertise in the areas of geology, engineering, environmental and regulatory management, construction and field operations.

### ***Competitive Conditions***

The oil and natural gas industry, which includes the oil sands industry, is intensely competitive in all its phases. SilverWillow will compete with numerous other participants for access to capital to fund its exploration, delineation and development activities. It will also compete with other participants in the search for exploration and development prospects. SilverWillow believes that its competitive position will be equivalent to that of other oil and gas issuers of similar size and at a similar stage of development.

### ***Cycles***

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, most of the oil sands leases in which SilverWillow will have an interest are inaccessible during certain non-winter months because the access to the sites, and certain areas within the sites, consist of poorly-drained terrain. These conditions can affect the ability to conduct exploration and delineation drilling on the lands in which SilverWillow will have an interest.

### ***Environmental Protection***

Oil sands exploration and development activities in the Province of Alberta are regulated by legislation including the Water Act, the Oil Sands Conservation Act and the Environmental Protection and Enhancement Act. SilverWillow management has experience in conducting extensive exploration activities while protecting the environment and complying with all of the relevant regulations. Exploration activities will be conducted in the winter using low impact disturbance techniques to minimize environmental impacts and associated liabilities. Costs associated with reclamation of exploration activities are budgeted and will be expensed annually as part of the exploration budget. To minimize future liabilities, all reclamation activities which can be practicably completed are undertaken at the time of demobilization of the winter program. In addition, there is regular monitoring during the summer season of the progress of re-vegetation to identify any follow-up work which may be required. On an ongoing basis, SilverBirch has properly decommissioned and abandoned core holes as required by the ERCB and SilverWillow expects that it will carry out its operations in a similar manner.

### ***Employees***

SilverWillow has appointed five officers who will be employed by SilverWillow following the completion of the Arrangement. See "Directors and Executive Officers". After giving effect to the Arrangement, SilverWillow expects that it will have approximately 12 employees. To proceed with the development of the Spin-Off Assets, SilverWillow may require additional experienced employees and third-party consultants and contractors.

### ***Bankruptcy and Similar Procedures***

There has been no bankruptcy, receivership or similar proceedings against SilverWillow, or any voluntary receivership, bankruptcy or similar proceedings by SilverWillow.

### ***Material Restructuring Transactions***

Other than the Arrangement, there has been no material restructuring transactions of SilverWillow. Assuming there are no Dissenting SilverBirch Shareholders, holders of SilverWillow Shares will hold (directly or indirectly), immediately following completion of the Arrangement, the same number and proportion of SilverWillow Shares as the number and proportion of SilverBirch Common Shares they held immediately prior to the completion of the Arrangement. See "The Arrangement" in the Information Circular.

### ***Social and Environmental Policies***

As SilverWillow was incorporated for the sole purpose of participating in the Arrangement and has not carried on any active business other than in connection with the Arrangement and related matters, SilverWillow has not yet implemented any social or environmental policies.

SilverWillow will be committed to meeting industry standards in each jurisdiction in which it operates with respect to human rights, environment, health and safety policies. Management, employees and contractors will be governed by and required to comply with SilverWillow's pending environment, health and safety policy as well as all applicable federal, provincial and municipal legislation and regulations.

SilverWillow will rely on a variety of specialist contractor companies to conduct the exploration and development activities and will designate a prime contractor pursuant to the *Occupational Health and Safety Act*, R.S.A. 2000, c. O-2 to be responsible for coordinating safety of all field-related activities.

SilverWillow will establish roles and responsibilities to facilitate effective management of its anticipated environment, health and safety policy throughout the organization. It will be the primary responsibility of the managers, contract supervisors and other contract senior field staff of SilverWillow to oversee safe work practices and ensure that rules, regulations, policies and procedures are being followed.

#### **SilverWillow's Oil Sands Leases**

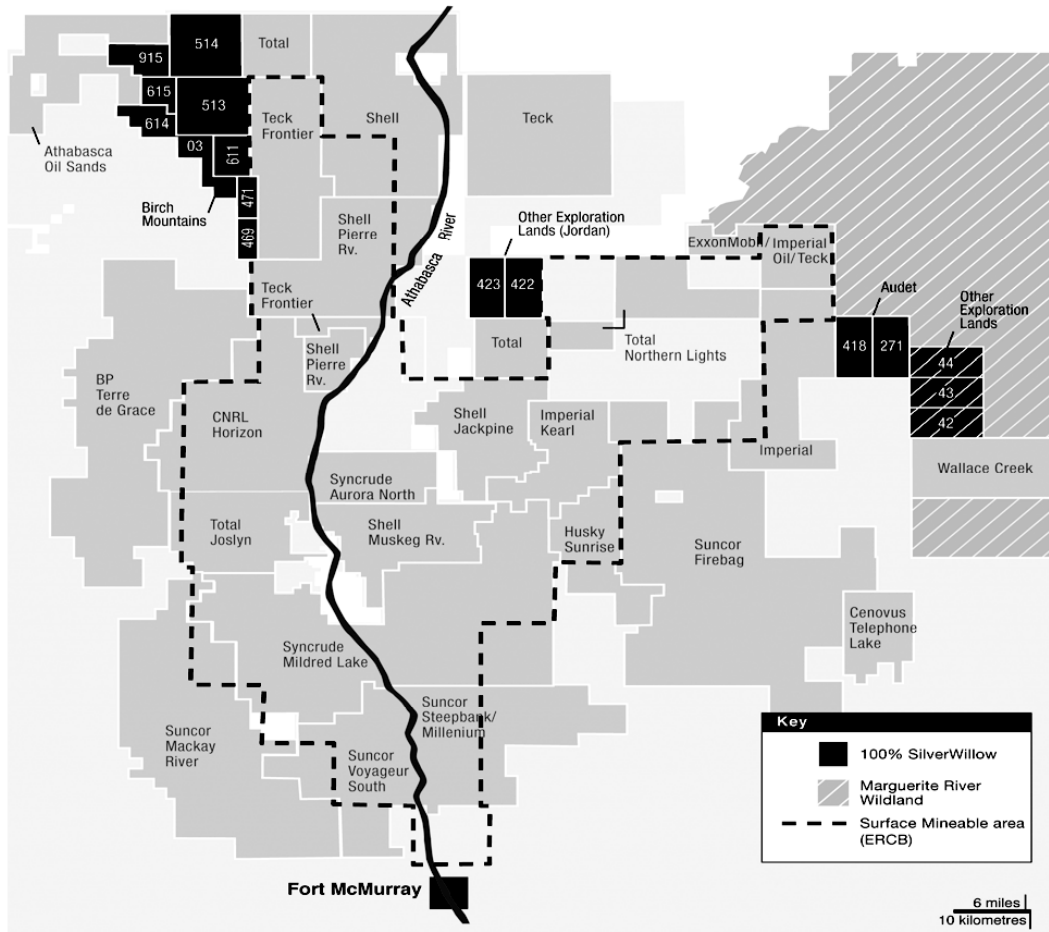
The following table sets out the total and net acreage associated with the oil sands leases comprised within the Spin-Off Assets to be owned by SilverWillow upon completion of the Arrangement.

<b>Oil Sands Leases</b>	<b>Total Acreage</b>	<b>SilverWillow Net Acreage</b>
Audet Lands	23,040	23,040
Birch Mountain Lands	94,080	94,080
Other Exploration Lands	57,600	57,600
<b>Total Leases</b>	<b>174,720</b>	<b>174,720</b>

The leases to be transferred to SilverWillow are all onshore and located in the Athabasca Oil Sands Area in north-eastern Alberta. All of the oil sands leases to be transferred to SilverWillow are primary oil sands leases issued by the Government of Alberta between 2006 and 2011 and have a standard 15-year term which commences on the date of purchase at the Crown land sale. All of the leases can be continued subject to meeting specified levels of geological evaluation.

The following map depicts the location of all oil sands leases comprised within the Spin-Off Assets and to be owned 100 percent by SilverWillow upon completion of the Arrangement.





For a description of leases and projects SilverWillow will acquire from SilverBirch in connection with the Arrangement, see "Principal Properties".

**PRINCIPAL PROPERTIES**

**Audet Lands**

**Three Year History**

*2009*

In October 2009, UTS acquired a 100 percent interest in two oil sands leases, 418 and 271, through a private purchase agreement with Technoeconomics Inc. Lease 418 was originally purchased by Technoeconomics Inc. at a Crown land sale in December 2006 and Lease 271 was originally purchased by Technoeconomics Inc. at a Crown land sale in August 2007. Prior to the acquisition, UTS reviewed and evaluated the results from historical well data within the area to assess the resource potential of these lands.

*2010*

In early 2010, UTS conducted geophysical surveys of the Audet Lands. Based on the interpretation of the results from these surveys, UTS initiated planning of a winter oil sands exploration program to be conducted in early 2011. This preparatory work included the selection of well locations, field scouting and surveying activities for construction of access roads, location of an exploration camp site and location of the well sites. Consultation with potentially affected Aboriginal communities was conducted prior to making a regulatory application to the Government of Alberta for an oil sands exploration program on September 15, 2010. UTS also made applications for new winter road access into the Audet Lands

to the Government of Alberta. On October 1, 2010 a road use agreement was signed with Total which assigned responsibility to SilverBirch for operation of the Northern Lights Road. When combined with the new road access granted to SilverBirch, the Northern Lights Road allows for full winter access into the Audet Lands. Approval to conduct the oil sands exploration program was granted to SilverBirch by the Government of Alberta on December 21, 2010. In December of 2010, construction activities were initiated to build the new portions of the winter road into the Audet Lands and to develop the exploration campsite.

#### *2011 – 2012*

In the first quarter of 2011, SilverBirch completed the preliminary exploration drilling program on its Audet Lands. A total of 34 core holes were drilled to define the extent of the bitumen resource, to evaluate the reservoir quality and bitumen characteristics, and to provide an initial indication of the cap rock extent and integrity for the assessment of resource recovery processes. In addition, a number of sonic core holes were drilled specifically to evaluate the overburden material with respect to cap rock integrity.

SilverBirch's review of the completed laboratory analyses of the core samples recovered from the Audet Lands indicated that the oil sands deposit is of very high quality. Results from all core samples exhibiting a minimum of six mass percent bitumen show an average porosity of 35 percent, an average bitumen saturation of 81 percent, and high permeabilities (estimates based on SilverBirch management's review of the results of laboratory analysis).

As a result, Sproule was engaged to provide a technical assessment of the original bitumen-in-place volumes in the Audet Lands. The results of the Sproule technical assessment are outlined below under "Principal Properties – Audet Lands – Audet Lands Oil Sands Resource Estimates."

Also, during the second quarter of 2011, SilverBirch engaged an independent engineering consulting company to conduct a preliminary assessment of the cap rock potential within its Audet Lands. In addition, SilverBirch initiated a hydrogeological study to support future water requirements associated with a potential SAGD project on the Audet Lands. Preliminary results from both of these studies have been incorporated into the planning of the 2012 winter field program on the Audet Lands.

During the summer of 2011, SilverBirch conducted a field program to identify potential permanent all weather access routes into the Audet Lands and for the location of a suitable crossing of the Firebag River. On September 9, 2011, an application was made to the Government of Alberta for a right of way extending from Cenovus's Telephone Lake project location, north across the Firebag River to the Audet Lands. Approval of this right of way is currently pending.

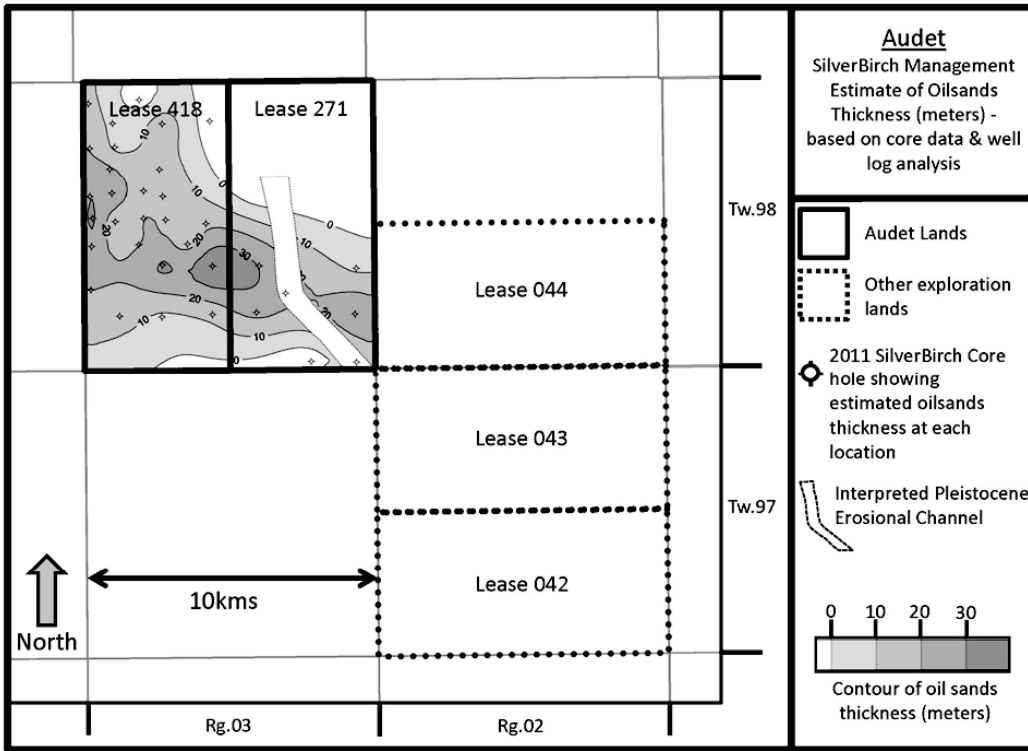
Planning for a winter 2011/2012 oil sands exploration program was also initiated in the early summer of 2011 and priority core hole locations were selected based on results from the previous year's program. After consultation with potentially affected Aboriginal communities, an application was made to the Government of Alberta on September 22, 2011 for an oil sands exploration program that also included development of several groundwater production evaluation wells. Approval to conduct the program was granted on November 2, 2011.

As at February 28, 2012 and effective September 30, 2011, Sproule prepared the Sproule Audet Technical Review attached as Schedule D to this Appendix.

#### ***Geological Description***

A description of the geology in the area of the Audet Lands is included in the "Technical Review of the Audet Lands in the Athabasca Oil Sands Region of Alberta for SilverBirch Energy Corporation and SilverWillow Energy Corporation (As of September 30, 2011)" dated February 28, 2012 attached as Schedule D to this Appendix. The nearest producing field to the Audet Lands is Suncor Energy Inc.'s Firebag *in situ* project, which is located approximately 40 kilometres southwest of the Audet Lands and which uses SAGD to produce from the McMurray Formation.

The following map shows the location of the Audet Lands relative to leases 042, 043 and 044. The figure also contains a contour map showing the estimated thickness of oil sands in the Audet Lands and is based on SilverBirch management's interpretation of results from the laboratory analysis of core samples and from well log data.



#### ***Audet Lands Oil Sands Resource Estimates***

In the second quarter of 2011, Sproule was engaged to undertake an independent geological evaluation of the data and to provide an estimate of the DBIIP on the Audet Lands.

The Sproule Audet Report as updated by the Sproule Audet Technical Review provides estimates for volumes of DBIIP for the assets in the Audet Lands. As a result of its assessment, Sproule has estimated the DBIIP resource to be about 1,689.6 million barrels.

The Sproule Audet Technical Review, effective September 30, 2011, is based on the first quarter 2011 drilling program of SilverBirch and has been prepared in accordance with NI 51-101 and the COGEH. The preparation and disclosure of the reported resource estimates are the responsibility of SilverBirch's management and require approval by SilverBirch's Reserves and Health, Safety and Environment Committee and the SilverBirch Board of Directors. Sproule's responsibility is to express an opinion on the discovered bitumen resources data based on the data provided by management. Sproule carried out its assessment in accordance with standards established by NI 51-101. These standards require that the resources estimates be prepared in accordance with the COGEH. There is no certainty that the assets located on the Audet Lands will produce any portion of the volumes currently classified as "discovered resources".

The term "discovered bitumen initially-in-place" (equivalent to discovered resources) is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered bitumen initially-in-place includes production, reserves and contingent resources, while the remainder is unrecoverable. The definition is taken from the COGEH. DBIIP is currently the most specific resource category assignable to the Audet Lands. Sproule was unable to classify the discovered resources into one of the subcategories because development projects could not be defined for the discovered resource volumes at the time of Sproule's assessment and review. It is yet to be determined what recovery process will be applied in the Audet Lands due to current uncertainty regarding cap rock integrity. SilverWillow plans to undertake more delineation drilling and minifrac tests to evaluate the cap rock extent and integrity for steam containment. There is no certainty that it will be commercially viable to produce any portion of the discovered resources. Discovered resources do not constitute, and should not be confused with, reserves.

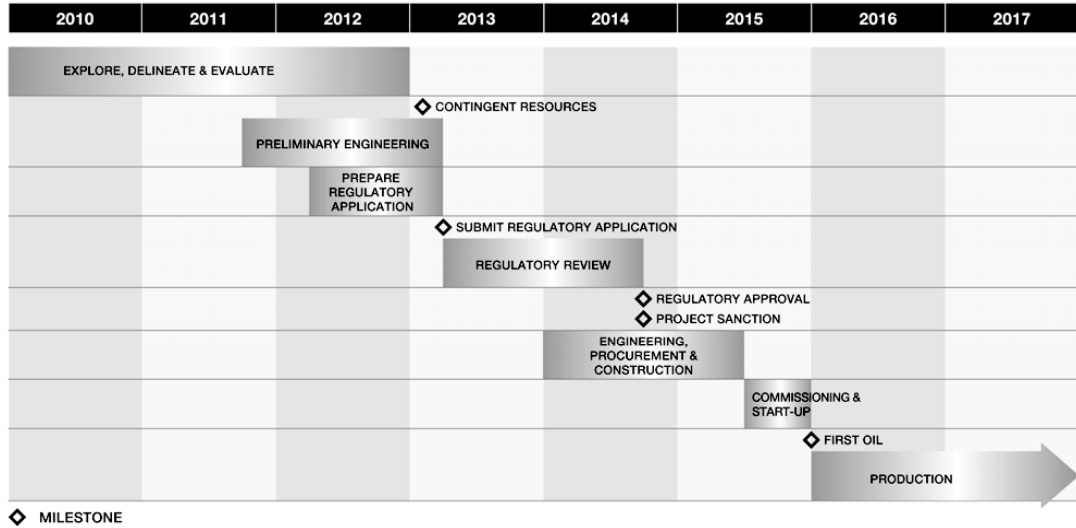
#### ***Proposed Operations – Audet Lands***

SilverWillow is planning the following key activities for the Audet Lands over the next 12 months:

- completion of the resource delineation program initiated by SilverBirch including the analysis of core samples;
- analysis and interpretation of 2D seismic data collected by SilverBirch to better define the extent of a potential SAGD project area;
- evaluation of core samples taken from the mudstone cap rock interval and from the overburden for geomechanical properties, and analysis of results from the mini-frac tests completed by SilverBirch;
- completion of a reservoir and geomechanical simulation study, using the updated reservoir and geomechanical properties from the field programs, to evaluate thermal expansion and resulting stress fields associated with a SAGD project and to estimate the maximum SAGD operating pressure of a proposed pilot SAGD project;
- completion of a hydrogeological assessment initiated by SilverBirch to determine local potential sources of groundwater that could be used for steam production for a SAGD production facility;
- completion of an updated independent resource evaluation;
- completion of environmental field studies to collect baseline information that can be used in the preparation of an environmental assessment for a regulatory application;
- preparation of the preliminary engineering design for a SAGD pilot project including the design of an all weather access road; and
- ongoing stakeholder consultation and communication activities associated with early stage development.

*In situ* oil sands developments typically require several years of delineation, engineering, regulatory activities and construction prior to the production of the first barrel of bitumen. The diagram below indicates the notional schedule that SilverWillow expects to guide development activities.

**Audet Notional Development Schedule**



The total cost of the work described above to be undertaken on the Audet Lands in the last three quarters of 2012 and the first quarter of 2013 is estimated to be Cdn\$9.5 million on a gross basis. The following table shows the estimated costs associated with each of the various exploration and evaluation activities to be undertaken on the Audet Lands in the last three quarters of 2012 and the first quarter of 2013.

Work Scope	Estimated Cost (Cdn\$ millions) <sup>(1)</sup>	
	Q2 – Q4 2012	Q1 2013
Evaluation of results from the 2012 field program	1.0	-
Completion of technical reports for cap rock integrity, hydrogeological evaluation, site geotechnical investigations and resource evaluations	0.5	-
Environmental baseline assessment, preparation of regulatory application and stakeholder consultation and communications	2.0	1.0
Engineering studies and design of a SAGD pilot project and initial pilot wells	4.0	1.0
<b>Total Estimated Cost</b>	<b>7.5</b>	<b>2.0</b>

**Note:**

- (1) The above costs of approximately Cdn\$9.5 million do not include past expenditures for drilling and resource delineation or allocated general and administrative expenses.

### **Birch Mountain Lands**

The nine leases comprising the Birch Mountain Lands were acquired at Crown land sales over a two-year period between September 2006 and November 2008.

#### ***Three Year History***

##### *2007 – 2008*

During the 2007 and 2008 winter seasons, UTS and Teck drilled a total of 25 oil sands evaluation core holes on the Birch Mountain Lands. Of these, 18 core holes were shallow evaluation holes which were drilled in the lower elevation sections of the leases, within the Athabasca River valley.

In early 2008 UTS and Teck conducted a preliminary exploration program on the higher elevations of the Birch Mountain Lands. This program consisted of field acquisition of approximately 100 kilometres of 2D seismic data and the drilling of a total of seven core holes on leases 471, 513, 614, 615, and 915. Based on core analysis, all seven of these core holes encountered oil sands with gross thickness ranging from four metres to 30 metres. However, current well control is very sparse and additional exploration programs, comprising both seismic and drilling, will be required to identify prospective areas with sufficient in-place bitumen volumes and reservoir continuity and quality, necessary for *in situ* production potential.

The drilling program on the Birch Mountain Lands was undertaken jointly by UTS and Teck on a shared cost basis consistent with their 50 percent working interests in the leases. The following map provides further details on the location of the wells drilled on the Birch Mountain Lands as well as the thickness of oil sands located in the adjacent Frontier Project area.

##### *2009 – 2012*

Since 2008, no additional exploration activity has been carried out on the Birch Mountain Lands. As at February 28, 2012 and effective December 31, 2011, Sproule prepared a technical review of the Birch Mountain Lands and SilverWillow's proposed operations thereon entitled "Technical Review of the Birch Mountain Lands in the Athabasca Oil Sands Region of Alberta for SilverBirch Energy Corporation and SilverWillow Energy Corporation" (the "**Sproule Birch Mountain Technical Review**"). A copy of the Sproule Birch Mountain Technical Review is available under SilverBirch's profile on the SEDAR at [www.sedar.com](http://www.sedar.com).

#### ***Geological Description***

Bitumen resources in the Birch Mountain area are contained within the Lower Cretaceous McMurray Formation and the overlying Wabiskaw Member of the Clearwater Formation. The McMurray Formation unconformably overlies a highly irregular surface of Devonian carbonates and shales of the Beaverhill Lake Formation. The depth to the Wabiskaw and McMurray Formation oil sands in the area varies from 150 metres in the Athabasca River Valley in the east to 550 metres on the top of the Birch Mountain area in the west.

The McMurray Formation was deposited by a very large northward-flowing fluvial/estuarine/deltaic system during a period of rapid sea level rise in the Early Cretaceous (Aptian-Albian stages). The McMurray Formation grades from fluvial at the

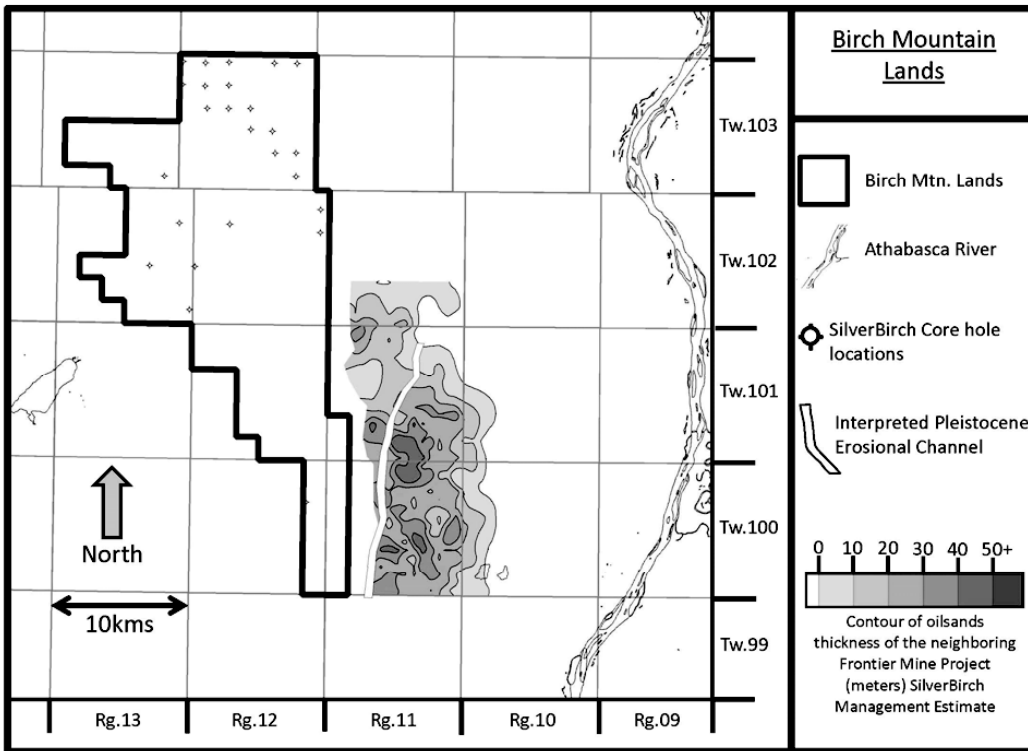
base (Lower McMurray) to estuarine in the Middle McMurray. Most of the bitumen resources in the McMurray Formation are in estuarine channel deposits of the Middle Member. The Lower Member is generally water-saturated, below a regional oil-water contact.

At the end of McMurray time, a drop in sea level and subsequent transgression resulted in the deposition of the Wabiskaw Formation in a nearshore marine environment. Bitumen resources in the Wabiskaw Member are contained in both widespread upward-coarsening shoreline sand deposits as well as more localized thicker channel sands, commonly referred to as the Wabiskaw D unit.

Following the deposition of the Wabiskaw Member, transgression continued resulting in deposition of deep water mudstones of the Clearwater Formation. Above the Clearwater Formation in the higher elevation areas of the Birch Mountains, the Grand Rapids, Joli Fou and Viking Formations are also present.

The nearest producing in situ development project to the Birch Mountain Lands is Suncor Energy Inc.'s MacKay River project, which is located approximately 85 kilometres south of the Birch Mountain Lands and which also uses SAGD to produce from the McMurray Formation.

The following map shows the location of the Birch Mountain Lands and provides details on the locations of the core holes completed on the Birch Mountain Lands.



**Birch Mountain Lands Oil Sands Resource Estimates**

The Birch Mountain Lands are at an early stage of evaluation. At this time, no resource estimates have been attributed to this property.

**Proposed Operations – Birch Mountain Lands**

SilverWillow is planning the following key activities for the Birch Mountain Lands over the next 12 months:

- completion of a desktop geological study of the Birch Mountain area;
- plan and conduct an exploration 2D seismic acquisition program; and

- ongoing stakeholder consultation and communication activities associated with oil sands exploration.

SilverWillow anticipates that field work on the proposed seismic program will commence in late 2012 and will be completed during the first quarter of 2013. The total cost of the work described above to be undertaken on the Birch Mountain Lands in the last three quarters of 2012 and the first quarter of 2013 is estimated to be Cdn\$5.1 million on a gross basis and is outlined in the following table.

Work Scope	Estimated Cost (Cdn\$ millions) <sup>(1)</sup>	
	Q2 – Q4 2012	Q1 2013
Desktop geological study	0.1	-
Design and conduct 2D seismic acquisition program	1.0	4.0
<b>Total Estimated Cost</b>	<b>1.1</b>	<b>4.0</b>

**Note:**

- (1) The above costs of approximately Cdn\$5.1 million do not include past expenditures for drilling and resource delineation or allocated general and administrative expenses.

**Other Exploration Lands**

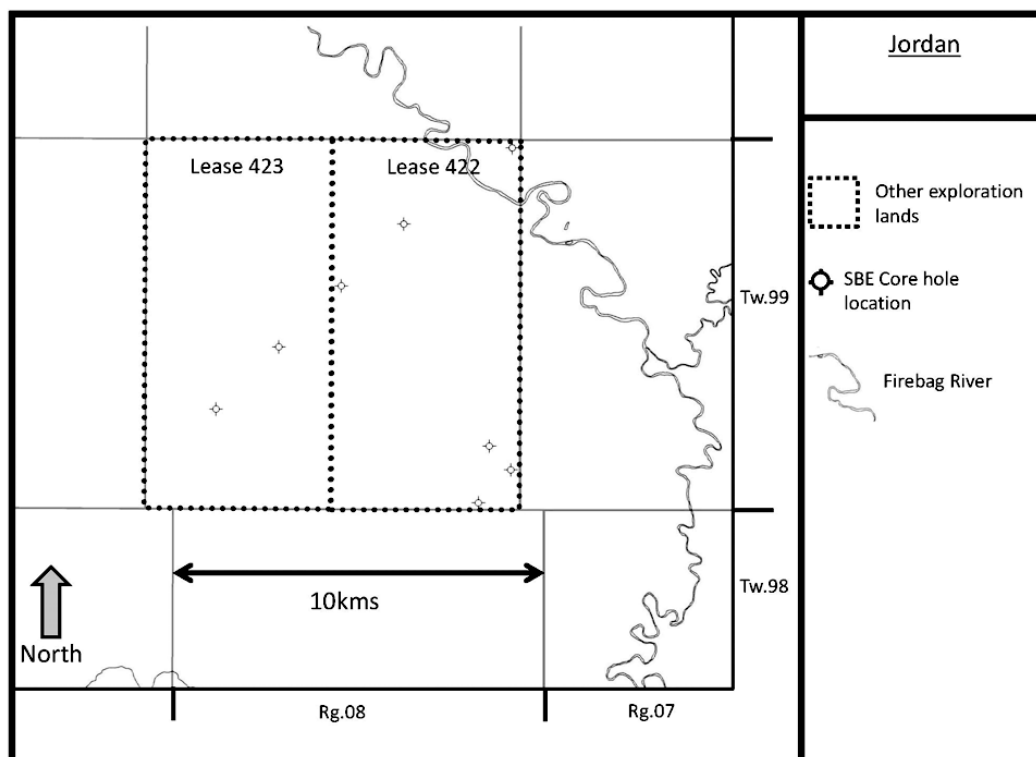
In addition to the leases relating to the Audet Lands and the Birch Mountain Lands, SilverWillow will hold 57,600 net acres of additional exploration land with a 100 percent working interest in each lease.

Leases 042, 043 and 044, each comprising 11,520 acres, were purchased at a Crown land sale in March 2011. These leases form a contiguous block, with lease 044 located immediately east of, and adjacent to, lease 271 of the Audet Lands and, therefore, these lands have high exploration potential; however, surface access is not currently permitted, and there can be no certainty that access will be permitted in the future. See "Principal Properties – Audet Lands" for a map providing further details on leases 042, 043 and 044.

Leases 422 and 423, collectively the Jordan Lands, each comprising 11,520 acres, were purchased at a Crown land sale in December 2006.

**Exploration Program**

On the east side of the Athabasca River, eight core holes were drilled during the 2006/2007 and the 2008/2009 winter seasons to provide an initial evaluation of the resource potential of the Jordan Lands. Of the eight core holes drilled, one encountered oil sands, with a thickness of 30 metres and at a depth of 45 metres. Additional exploration drilling and evaluation will be required to determine the extent of the resource and potential recovery methods. At this time, no resource estimates have been attributed to this property. The following map provides details on the locations of the core holes completed on the Jordan Lands.



To date, no activity has been conducted on leases 042, 043 and 044.

### OTHER OIL AND GAS INFORMATION

#### Oil and Gas Properties and Wells

As at the effective date of the Arrangement, SilverWillow will have no material interest in any producing oil or gas well.

For a description of SilverWillow's principal properties following the Arrangement, see "Description of the Business – SilverWillow's Oil Sands Leases" and "Principal Properties".

#### Properties with No Attributed Reserves

There are no reserves attributable to the Spin-Off Assets and the production, gross revenue, royalty expenses, production costs and operating income associated with the Spin-Off Assets has been nil for the past three financial years.

As at the Effective Date, SilverWillow will have an interest in 174,720 gross acres and 174,720 net acres of unproved oil sands properties, all of which are located in Alberta, Canada. SilverWillow does not expect that any of its rights to explore, develop and exploit its properties will expire within one year.

There are no work commitments relating to the Spin-Off Assets.

#### Additional Information Concerning Abandonment and Reclamation Costs

SilverWillow will use low impact winter access and drilling methods. All road access and core hole sites are developed on frozen ground using ice roads and drilling pads made of ice, with minimal disturbance to surface soils. SilverWillow will rely on natural re-vegetation processes to reclaim access roads and core hole sites. Costs to replace any slash and natural woody debris over the access roads and core hole sites will be budgeted and expensed within the annual exploration budget during demobilization of annual exploration activities. Re-vegetation of core hole sites will be monitored as per AENV Directive SD 2010 – 01 "Coal and Oil Sands Exploration Reclamation Requirements" guidelines and any non-performing areas are retreated or scarified during winter activities so that natural vegetation can establish on the site. Consistent with the policies of Alberta Sustainable Resource Development, SilverWillow will apply for reclamation certificates after three



growing seasons following completion of all activities within the area to remove any further reclamation liability to SilverWillow. Upon completion of the Arrangement, SilverWillow will not own any producing oil or gas wells, production facilities or pipelines.

### Tax Horizon

Given that it is in an early development stage, it is not possible for SilverWillow to estimate when taxes may become payable.

### Costs Incurred

The following table summarizes capital expenditures (including costs that were capitalized or charged to expense when incurred) incurred by SilverBirch with respect to the Spin-Off Assets for the period from October 1, 2010 to December 31, 2010 and for the period from January 1, 2011 to September 30, 2011.

	<b>Capital Expenditures for three months ended December 31, 2010<sup>(1)</sup></b>	<b>Capital Expenditures for nine months ended September 30, 2011<sup>(1)</sup></b>
	(Cdn\$millions)	(Cdn\$millions)
Property acquisition costs:		
Unproved properties	–	2.0
Exploration costs .....	1.5	19.5
<b>Total.....</b>	<b>1.5</b>	<b>21.5</b>

#### Note:

- (1) For the periods indicated no significant costs were incurred by SilverBirch (or to its knowledge, Teck) in respect of the Birch Mountain Lands and the Jordan Lands.

### Production History

SilverBirch has had no production from the Spin-Off Assets.

## INDUSTRY OVERVIEW

The following is a brief summary of the economic and energy market conditions encountered in conducting operations in Alberta's oil sands industry. The industry-related information in this section and in the rest of this Appendix has been taken from public sources.

### Description of the Oil Sands Industry

Oil sands are composed primarily of sand, bitumen, clay minerals and water. Bitumen, in its raw state, is a heavy, viscous, crude oil. *In situ* recovery takes place both by primary development, similar to conventional crude oil production, and by enhanced development whereby generally the reservoir is heated to reduce the viscosity of the bitumen, allowing it to flow to a vertical or horizontal wellbore. For oil sands mining projects, the bitumen is separated from the sand and clay with hot water in the extraction plant and subsequently cleaned in a froth treatment processing plant.

Bitumen is currently sold in two principal forms: either as a bitumen blend, in which the bitumen is mixed with a diluent, either pentane plus or SCO, so that it will flow in pipelines; or as SCO, after upgrading. Bitumen blend has many characteristics similar to, and is generally priced like, conventional heavy oil. SCO, depending on the level of upgrading it has undergone, has many characteristics similar to, and is generally priced like, conventional medium to light oil.

In the ERCB's most recent report entitled "Alberta's Energy Reserves 2010 and Supply/Demand Outlook 2011-2020"<sup>1</sup>, published in June 2011, the ERCB states that the Alberta in-place bitumen volume (specifically referring to the Athabasca, Peace River and Cold Lake Oil Sands Areas of Alberta) is approximately 1,804 billion barrels, of which approximately 315 billion barrels are potentially recoverable reserves.

As at the date of the ERCB's June 2011 report, mineable oil sands reserves comprised a relatively small portion of total oil sands reserves. Of the remaining established reserves, about 20 percent were considered recoverable by surface mining and the rest, some 135 billion barrels, recoverable by *in situ* methods. The ERCB notes that approximately 68 percent of the remaining established mining reserves are currently being developed, while less than three percent of the remaining established *in situ* reserves have reached development stage.

<sup>1</sup> The remainder of the information set forth under the heading "Industry Overview – Description of the Oil Sands Industry" including all tables and figures is derived from the ERCB report entitled "ST98-2011: Alberta's Energy Reserves 2010 and Supply/Demand Outlook 2011-2020", published in June 2011. Readers are urged to consult the full text of the report which is available on the ERCB website at [www.ercb.ca](http://www.ercb.ca).

### In-Place Volumes and Established Reserves of Crude Bitumen (billion barrels)

Initial Recovery Method	Initial Volume in-place	Initial Established Reserves	Cumulative Production	Remaining Established Reserves	Remaining Reserves Under Active Development	Ultimate Potential Recoverable
Mining	130.9	38.8	4.8	33.9	22.9	69
<i>In situ</i>	1,673.1	138.1	2.7	135.4	3.1	245
Total	1,804.0	176.8 <sup>(1)</sup>	7.5	169.3 <sup>(1)</sup>	26.0	315

**Note:**

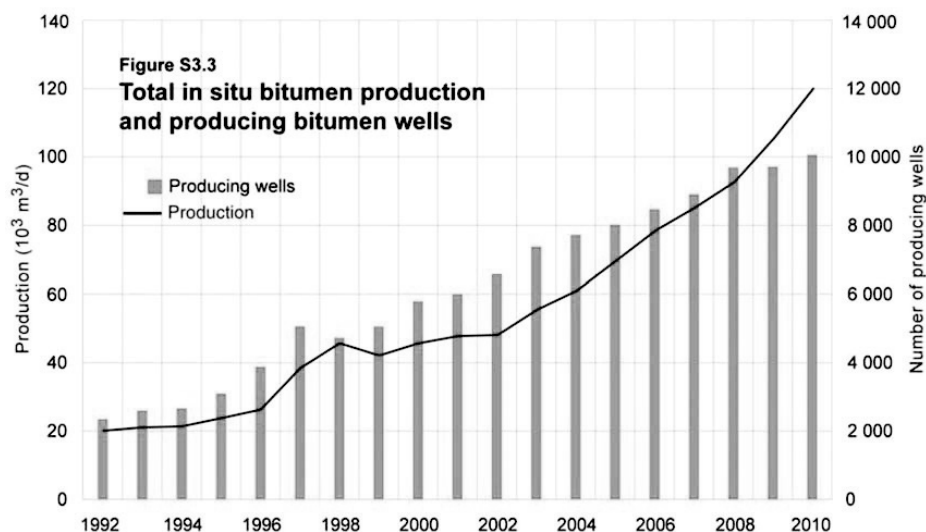
- (1) Differences are due to rounding.

#### *In Situ* Production within the Athabasca Oil Sands Area

The ERCB estimates that total mined bitumen production from the Athabasca Oil Sands Area will increase by approximately 80 percent by 2020 as compared with today's levels. Similarly, the ERCB also expects *in situ* crude bitumen production to increase by approximately 153 percent over the same period. *In situ* production is different compared to production of bitumen by mining in several ways, including the smaller scale of development that is typically associated with *in situ*. Mining projects generally require a scale in the order of at least 80,000 to 100,000 barrels per day ("**bb/d**") to be economically viable whereas *in situ* production schemes are often in the range of 10,000 to 30,000 bbl/d. This allows a smaller scale of development whereby the costs of projects are generally more manageable. Smaller phases of production allow learnings and new technologies to be incorporated more readily into subsequent phases. Regulatory and construction timelines are also generally much shorter than those experienced in mining projects allowing production and cash flow to occur sooner to support the expansion of additional phases.

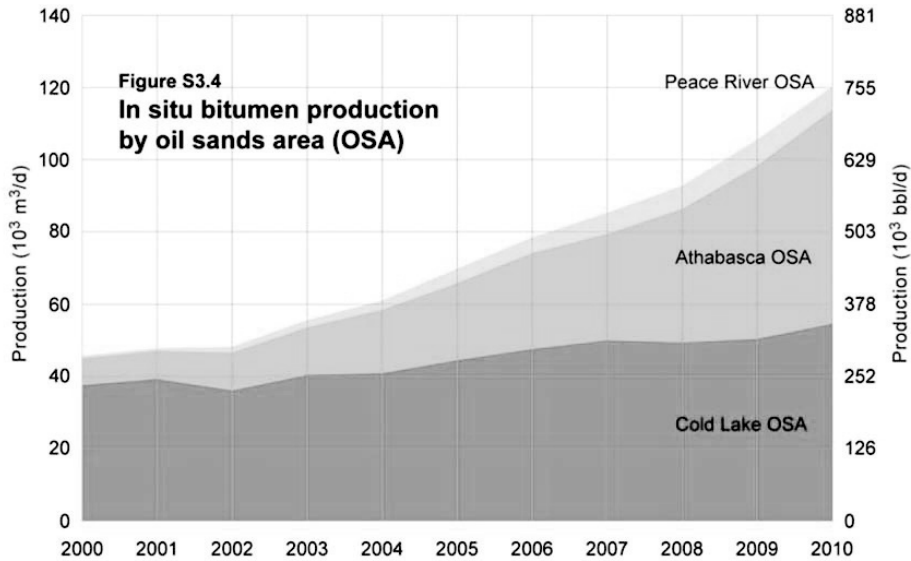
#### *In Situ* Crude Bitumen

*In situ* crude bitumen production for 2010 from the Athabasca Oil Sands Area increased to 120.1 thousands of cubic metres per day ("**10<sup>3</sup> m<sup>3</sup>/d**") (755.8 10<sup>3</sup> bbl/d) from 105.5 10<sup>3</sup> m<sup>3</sup>/d (663.9 10<sup>3</sup> bbl/d) in 2009. This increase represents a 13.8 percent annual increase, on par with the 13.8 percent annual increase in 2009. Since 2002, *in situ* crude production from this area has grown at an average of 10.9 percent per year. Annual total *in situ* bitumen production from this area, along with the number of bitumen wells on production in this area for each year has increased along with *in situ* crude bitumen production from 2,300 wells in 1992 to about 10,050 wells in 2010 (Figure S3.3).

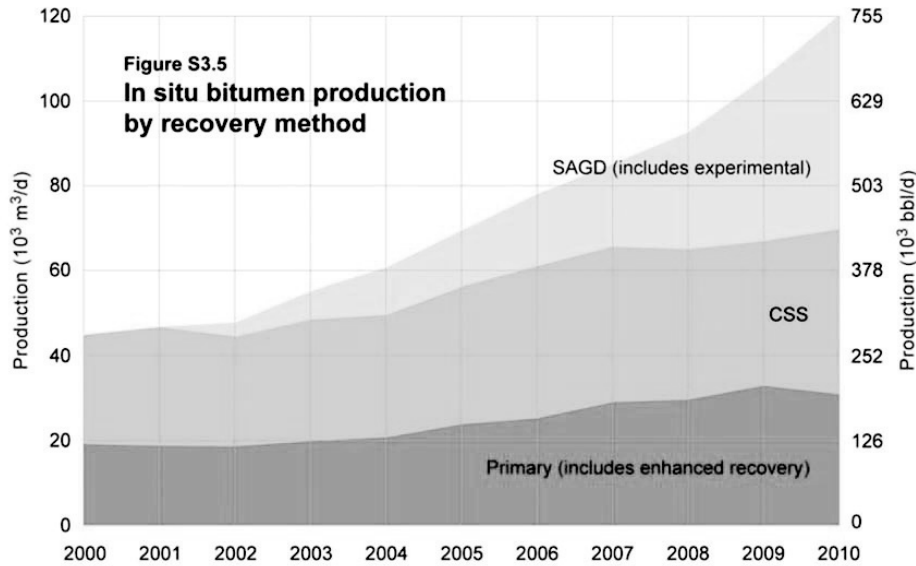


*In situ* production of bitumen in Alberta has had the largest increase in the Athabasca Oil Sands Area. While the Cold Lake Oil Sands Area has traditionally been the major source of crude bitumen recovery, this changed in 2010 when Cold Lake's share of the total production dropped from 48 percent to 45 percent. Production from Athabasca now accounts for 49 percent of total *in situ* production. In 2010, the Athabasca, Cold Lake, and Peace River areas produced 59.1 10<sup>3</sup> m<sup>3</sup>/d (371.9

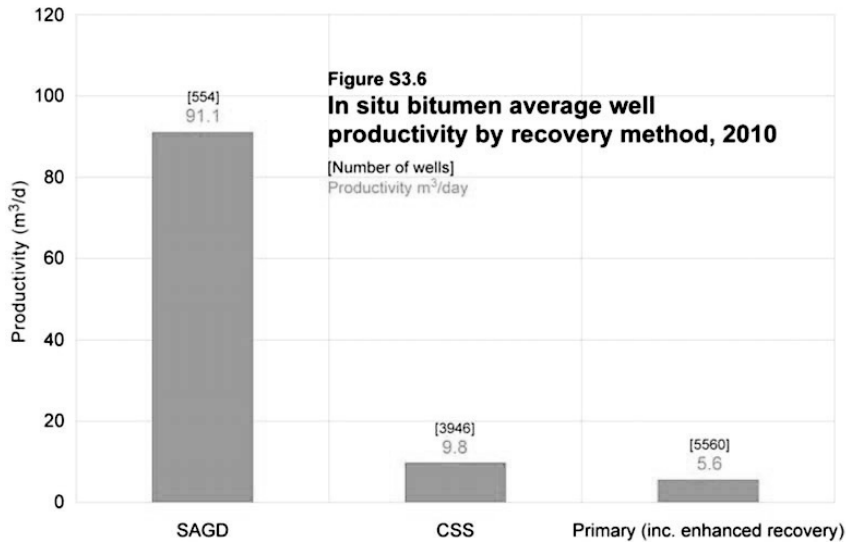
$10^3$  bbl/d),  $54.6 \times 10^3 \text{ m}^3/\text{d}$  ( $343.6 \times 10^3$  bbl/d), and  $6.4 \times 10^3 \text{ m}^3/\text{d}$  ( $40.3 \times 10^3$  bbl/d), respectively. In 2010, annual production growth rates for the Athabasca and Cold Lake areas were 23 percent and eight percent respectively, compared with their ten-year average growth rates of 25 percent and four percent. Production from the Peace River area declined by 11 percent in 2010 compared to its ten-year average growth rate of 24 percent. With the correct volumes for the Peace River area now being reported, it is expected that future growth in production will continue along its historical ten-year trend. Significant increases in production within the Athabasca Oil Sands Area since 2002 are due to SAGD development, while increases in the Peace River area are largely the result of primary production in the Seal area.



Currently, there are three main methods for producing *in situ* bitumen: primary production, cyclic steam stimulation ("CSS") and SAGD. Primary production includes those schemes that use water and polymer injection as a recovery method. In 2010, 32 percent of *in situ* production was recovered by CSS, 42 percent by SAGD and 26 percent by primary schemes. SAGD production was responsible for 82 percent of the total increase in production between 2009 and 2010 (Figure S3.5). CSS production reversed its negative trend in 2010, adding  $4.8 \times 10^3 \text{ m}^3/\text{d}$  ( $30.2 \times 10^3$  bbl/d) in production, a 14 percent increase over 2009 production levels.

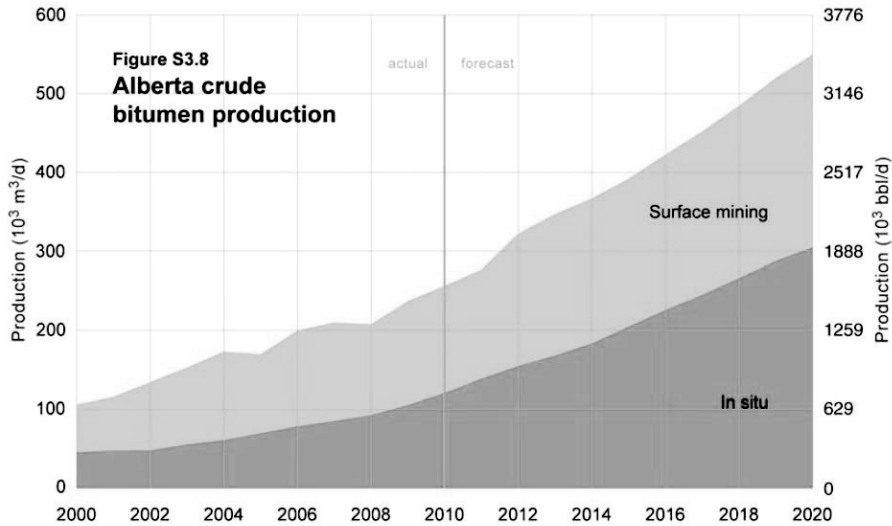


Total productivity of *in situ* wells has been increasing, largely due to an increase in SAGD as a method of recovery. A comparison of the average well productivity in 2010 by recovery method for primary (including enhanced recovery), CSS and SAGD indicates that SAGD wells have significantly higher productivity than the other methods (Figure S3.6). SAGD technology has been in use since 2001 and is the preferred method of recovery for most new projects in the Athabasca Area.



The current forecast for *in situ* production has increased recently mainly due to higher crude oil prices, the recent influx of foreign capital investment and increased geopolitical risk in other parts of the world. In addition, recently shelved projects are resuming and new projects are being announced and moving through the regulatory process. The ERCB expects *in situ* crude bitumen production to increase to 304.7 10<sup>3</sup> m<sup>3</sup>/d (1,917.4 10<sup>3</sup> bbl/d) by 2020 (Figure S3.8). This represents an

increase of 12.4 percent when compared the forecast a year ago. Based on this projection, *in situ* bitumen production will exceed mined bitumen production by 2015 and will account for 55 percent of total bitumen produced by 2020.



## Royalties

The Government of Alberta requires royalties be paid on the production of natural resources from lands for which it owns the mineral rights. On October 27, 2007, the Government of Alberta announced a revised royalty regime to apply to conventional oil and gas production and oil sands production. The oil sands regime that came into effect on January 1, 2009 has a stronger linkage to oil prices than the previous regime.

Under this royalty regime, in respect of oil sands projects having regulatory approval, a minimum royalty of one percent of gross bitumen revenue is payable prior to the payout of specified allowed costs, including certain exploration and development costs, operating costs and a return allowance. This minimum prepayment royalty will increase for every dollar that the world oil price, as reflected by the WTI crude oil price in Canadian dollars, is priced above Cdn\$55/barrel, to a maximum of nine percent when the WTI crude oil price is Cdn\$120/barrel or higher. Once such allowed costs have been recovered, a minimum royalty of 25 percent of net bitumen revenue (calculated as being gross bitumen revenue less operating costs and additional capital expenditures incurred since payout ("**net royalty**")) is levied. This minimum net royalty will increase for every dollar the WTI crude oil price is above Cdn\$55/barrel to a maximum of 40 percent when the WTI crude oil price is Cdn\$120/barrel or higher. The Government of Alberta also revised current rules and enforcement procedures with a view to clearly defining what expenditures will qualify as specified allowed costs. The Government of Alberta also provided new guidelines for valuing bitumen that is processed through integrated upgraders.

As the resource owner, the Government of Alberta is entitled to take its royalty share of bitumen production in-kind, as it does currently for conventional oil production. In February 2011, the Government of Alberta announced that it had entered into contracts to commercially upgrade and refine a portion of its bitumen royalty in-kind volumes to higher value products.

On March 11, 2010, the Government of Alberta announced regulatory and fiscal changes for the oil and gas sector which had no impact on oil sands project royalties.

## AVAILABLE FUNDS AND PRINCIPAL PURPOSES

### Available Funds

After giving effect to the Arrangement and the transfer of working capital from SilverBirch, SilverWillow is anticipated to have working capital available to it of approximately Cdn\$23 million. The estimated working capital of SilverWillow upon completion of the Arrangement is inherently difficult to calculate and dependent upon assumptions such as future results of SilverBirch operations up to the date of calculation, the trading price of SilverBirch Common Shares prior to the

completion of the Arrangement, costs of the Arrangement and other factors. The actual working capital amount at the close of the Arrangement may be materially different than the current estimate and such a difference could have a material adverse effect on the financial position of SilverWillow. See "Risk Factors – Risks Related to the Arrangement".

### Principal Purposes

SilverWillow currently intends to use its anticipated working capital for expenditures over the period from April 1, 2012 to March 31, 2013: (a) in respect of the Audet Lands, for evaluation of the results from the 2012 field program on the Audet Lands, completion of technical reports for cap rock integrity and hydrogeological evaluation, site geotechnical investigations and resource evaluations, environmental baseline assessment, preparation of regulatory application and stakeholder consultation and communication, engineering studies and design of a SAGD pilot project and initial pilot wells; (b) to conduct a desktop geological study and design a seismic program for the Birch Mountain Lands; and (c) for general corporate overhead. The amounts used will be netted against interest income on the working capital over the same period. Specifically, SilverWillow intends to use such available funds as follows:

Principal Purpose	<b>April 2012 – March 2013</b> <b>Estimated Amount to be Expended</b> (Cdn\$millions)
Audet Lands	9.5
Birch Mountain Lands <sup>(1)</sup>	5.1
Corporate Overhead <sup>(2)</sup>	7.0
<b>Total Expenditures</b>	<b>21.6</b>
Estimated Interest <sup>(3)</sup>	–
<b>Total Net Expenditure</b>	<b>21.6</b>
Unallocated Amounts	1.4
<b>Total Available Funds</b>	<b>23.0</b>

#### Notes:

- (1) The leases comprising the Birch Mountain Lands will be owned 100 percent by SilverWillow, assuming the closing of the Arrangement.
- (2) Corporate overhead includes legal, accounting and professional fees, rent, salaries, marketing and shareholder communication expenses and insurance.
- (3) Interest income is based on investing available working capital in high quality investment grade money market or deposit type investments, primarily with Schedule I Canadian banks.

SilverWillow intends to spend its working capital as stated above, however there may be circumstances where, for sound business reasons, a re-allocation of the funds may be necessary. Based on initial working capital expected to be available and the estimated expenditures assumed (as listed above), SilverWillow expects to have funding for at least the next 12 months. See "Risk Factors".

### Business Objectives

The work programs described for the Audet Lands and the Birch Mountain Lands are designed to advance the development of these assets in order to identify potential *in situ* bitumen production projects and advance the design of these projects so that they can proceed through the regulatory process towards approval and corporate sanction. Further expenditures on these leases will be dependent on the results of the preliminary work completed. See "Principal Properties".

## SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

### Selected Pro Forma Financial Information of SilverWillow and Financial Information of SilverBirch

Set forth below is a summary of certain selected unaudited pro forma financial information with respect to SilverWillow as at September 30, 2011 after giving effect to the proposed Arrangement and certain audited financial information respecting the exploration and evaluation assets and property and equipment comprised in the Spin-Off Assets of SilverBirch, as at September 30, 2011. The following information should be read in conjunction with the unaudited pro forma statement of financial position of SilverWillow as at September 30, 2011, attached as Schedule C to this Appendix and the audited schedule of exploration and evaluation assets and property and equipment comprised in the Spin-Off Assets of SilverBirch as at September 30, 2011, together with the auditors' report thereon, attached as Schedule B to this Appendix. **The pro forma adjustments are based upon available information and assumptions described in the notes to the SilverWillow unaudited pro forma statement of financial position. The pro forma adjustments are based upon the assumptions described in the notes to the unaudited pro forma statement of financial position, including that the SilverBirch Shareholders approve the Arrangement Resolution at the Meeting and the Arrangement is completed. The unaudited pro forma statement of financial position is presented for illustrative purposes only and is not necessarily indicative of the financial position that would have occurred had the Arrangement actually occurred at the times contemplated by the notes to the unaudited pro forma statement of financial position or of the results of financial position expected in future periods or as of any date.** See "Forward-Looking Statements".

**Pro Forma  
SilverWillow  
As at September 30,  
2011**

	(Cdn\$000's)
Total assets <sup>(1)(2)(3)</sup> .....	99,265
Total liabilities .....	10,000

**Notes:**

- (1) As noted in the section "Available Funds and Principal Purposes" and included as part of total assets above, SilverWillow is expected to have opening working capital of approximately Cdn\$23 million comprising cash of approximately Cdn\$33 million and accounts payable of approximately Cdn\$10 million which is expected to be sufficient to fund approximately 12 months of exploration and evaluation activities on the Audet Lands and the Birch Mountain Lands and general and administrative expenses of SilverWillow.
- (2) The exploration and evaluation and property and equipment of \$53.6 million related to the Spin-Off Assets currently owned by SilverBirch include, among other things, costs incurred with respect to land and licence acquisition, exploratory drilling, sampling and supporting lab work, geological and geophysical studies, office furnishings, leasehold improvements, computer equipment and software. See Schedule B – Audited Schedule of Exploration and Evaluation Assets and Property and Equipment Comprised in the Spin-Off Assets of SilverBirch as at September 30, 2011.
- (3) Total assets have been adjusted to reflect Teck's 50 percent interest in the Birch Mountain Lands and the Jordan Lands, which will be transferred to SilverBirch under the Arrangement and included in the Spin-Off Assets transferred to SilverWillow.

**Management's Discussion and Analysis**

SilverWillow will have both a short-term and a long-term need for capital. Short-term working capital will be required to finance accounts receivable and payable, reclamation deposits and other similar short-term assets, while the acquisition, evaluation and development of oil sands properties requires large amounts of long-term capital. There are essentially three methods of financing the capital needs of SilverWillow; being equity, long-term debt and farm-out arrangements, until internally generated cash flow is attained.

SilverWillow expects to put a bank loan facility into place subsequent to the Arrangement becoming effective. If obtained, such bank loan facility would be used as a temporary measure to finance its operations as required. In respect of equity financings, there is an active market for this form of financing for Canadian oil and natural gas companies, including oil sands companies. SilverWillow anticipates that it will make use of this form of financing for any significant expansion in its capital programs.

All of SilverWillow's expenditures are subject to the effects of inflation, and prices received for the product sold are not readily adjustable to cover any increase in expenses resulting from inflation. SilverWillow has no control over government intervention or taxation levels in the oil and natural gas industry.

The pro forma liability for decommission obligations of SilverWillow was nil as at September 30, 2011. SilverWillow intends to review the decommission costs annually. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings, and for revisions to the estimated future cash flows. In addition, SilverWillow has provided an indemnity in respect of certain tax liabilities of SilverBirch. See "General Development of the Business – The Transfer Agreement – SilverWillow Indemnities in Favour of SilverBirch" and "Risk Factors – Risks Related to the Arrangement".

Although SilverWillow has not yet established a formal policy, management of SilverWillow may use financial instruments to reduce corporate risk in certain situations. SilverWillow will have no hedging commitments in place upon completion of the Arrangement.

**DESCRIPTION OF CAPITAL STRUCTURE**

The following is a summary of the rights, privileges, restrictions and conditions which are attached to the SilverWillow Shares.

**SilverWillow Shares**

SilverWillow is authorized to issue an unlimited number of SilverWillow Shares and an unlimited number of preferred shares. As at the date of the Information Circular, there is one SilverWillow Share issued and outstanding and nil preferred shares issued and outstanding. See "Fully-Diluted Share Capital".

Holders of SilverWillow Shares are entitled to one vote per share at meetings of holders of SilverWillow Shares, to receive dividends if, as and when declared by the SilverWillow Board of Directors and to receive *pro rata* the remaining property and assets of SilverWillow upon its liquidation, dissolution or winding-up, subject to the rights of shares having priority over the SilverWillow Shares.

Following the completion of the Arrangement there will be no preferred shares issued and outstanding. SilverWillow's preferred shares may be issued in one or more series upon such terms as determined by the SilverWillow Board of

Directors. The preferred shares of each series, with respect to the payment of dividends and the distribution of assets in the event of its liquidation, dissolution or winding-up, rank in parity with the preferred shares of every other series and are entitled to preference over the SilverWillow Shares.

SilverWillow has applied to list the SilverWillow Shares issuable pursuant to the Arrangement on the TSX-V (Tier 2). The TSX-V has conditionally accepted the listing of the SilverWillow Shares. Listing is subject to SilverWillow fulfilling all of the requirements of the TSX-V. There can be no assurance that the TSX-V will list the SilverWillow Shares. If listing approval is ultimately obtained, trading in the SilverWillow Shares is expected to commence concurrently with the delisting of the SilverBirch Common Shares from the TSX-V.

### Dividends

SilverWillow has not declared or paid any dividends on the SilverWillow Shares since its incorporation. Any decision to pay dividends on the SilverWillow Shares will be made by the SilverWillow Board of Directors on the basis of the corporation's earnings, financial requirements and other conditions existing at such future time.

### CAPITALIZATION

The following table sets forth the capitalization of SilverWillow, effective January 5, 2012, both before and after giving pro forma effect to the Arrangement. See the audited statement of financial position of SilverWillow attached as Schedule A to this Appendix and the unaudited pro forma statement of financial position of SilverWillow as at September 30, 2011 attached as Schedule C to this Appendix.

Designation	Authorized	Outstanding as at January 5, 2012 prior to giving effect to the Arrangement	Outstanding as at January 5, 2012 <sup>(1)</sup> after giving effect to the Arrangement
SilverWillow Shares	Unlimited	Cdn\$1 (1 SilverWillow Share)	Cdn\$89,265,000 (53,480,031 SilverWillow Shares) <sup>(1)</sup>
SilverWillow Preferred Shares	Unlimited	Nil	Nil
Debt	-	Nil	Nil <sup>(2)</sup>

#### Notes:

- (1) Assumes completion of the Arrangement, that no Dissent Rights have been exercised and that a total of 3,474,000 in-the-money SilverBirch Options will be exercised or redeemed prior to the Arrangement. The "in-the-money" determination is based on the February 27, 2012 closing price of Cdn\$9.56 per SilverBirch Common Share.
- (2) Pursuant to the terms of the Transfer Agreement and in connection with the transfer of the Spin-Off Assets, SilverWillow will assume the Assumed Liabilities.
- (3) Based on the number of SilverBirch Common Shares issued and outstanding as at February 28, 2012 on a fully-diluted basis.

### FULLY-DILUTED SHARE CAPITAL

The following table sets forth the fully-diluted share capital after giving effect to the Arrangement. See the unaudited pro forma statement of financial position of SilverWillow as at September 30, 2011 attached as Schedule C to this Appendix.

	Number of SilverWillow Shares <sup>(3)</sup>	Percentage of SilverWillow Shares
	(Diluted)	(Diluted)
SilverWillow Shares issued pursuant to Arrangement .....	53,480,031	100%
<b>Subtotal<sup>(1)</sup></b> .....	<b>53,480,031</b>	<b>100%</b>
SilverWillow Shares reserved for issuance pursuant to SilverWillow Stock Option Plan <sup>(2)</sup> .....	<u>5,348,003</u>	10%
<b>Fully-Diluted Total</b> .....	<u>58,828,034</u>	

#### Notes:

- (1) Assumes completion of the Arrangement, that no Dissent Rights have been exercised and that a total of 3,474,000 in-the-money SilverBirch Options will be exercised or redeemed prior to the Arrangement. The "in-the-money" determination is based on the February 27, 2012 closing price of Cdn\$9.56 per SilverBirch Common Share.
- (2) The number of SilverWillow Shares reserved pursuant to the SilverWillow Stock Option Plan is to be up to a rolling maximum of ten percent of the number of SilverWillow Shares issued and outstanding from time to time.
- (3) Based on the number of SilverBirch Common Shares issued and outstanding as at February 28, 2012.

### OPTIONS TO PURCHASE SECURITIES

The SilverWillow Board of Directors has adopted the SilverWillow Stock Option Plan, which SilverWillow Stock Option Plan must be approved by the SilverBirch Shareholders at the Meeting. A summary of the SilverWillow Stock Option Plan is set forth in the Information Circular under the heading "Other Matter of Special Business Relating To SilverWillow –



Approval of SilverWillow Stock Option Plan" and a copy of the SilverWillow Stock Option Plan is set out in Appendix H to the Information Circular. No SilverWillow Options have been granted to date.

### PRIOR SALES

On January 5, 2012, SilverWillow issued one SilverWillow Share to SilverBirch at a price of Cdn\$1.00 to facilitate its organization. Thirty minutes following the Effective Time, SilverWillow will issue to SilverBirch that number of SilverWillow Shares as is equal to the total number of SilverBirch Common Shares held by Teck at such time minus the number of SilverWillow Shares outstanding prior to the Effective Time. As a result, following the Arrangement, Teck will in effect hold through SilverBirch an interest in SilverWillow equal to its interest in SilverBirch.

Thirty-five minutes following the Effective Time, SilverWillow will issue one SilverWillow Preferred Share to SilverBirch in connection with the transfer of the Spin-Off Assets. The SilverWillow Preferred Share will be immediately redeemed by SilverWillow in consideration of the SilverWillow Promissory Note as set forth in the Information Circular under the heading "The Arrangement – Arrangement Mechanics".

### TRADING PRICE AND VOLUME

The SilverWillow Shares are not currently traded or quoted on a Canadian marketplace. SilverWillow has applied to list the SilverWillow Shares issuable pursuant to the Arrangement on the TSX-V (Tier 2). The TSX-V has conditionally accepted the listing of the SilverWillow Shares. Listing is subject to SilverWillow fulfilling all of the requirements of the TSX-V. There can be no assurance that the TSX-V will list the SilverWillow Shares. If listing approval is ultimately obtained prior to the Effective Time, trading in the SilverWillow Shares is expected to commence concurrently with the delisting of the SilverBirch Common Shares from the TSX-V.

### ESCROWED SECURITIES

To the knowledge of SilverWillow, as of the date of the Information Circular, no securities of any class of securities of SilverWillow are held in escrow or subject to a contractual restriction on transfer or are anticipated to be held in escrow or subject to a contractual restriction on transfer following the completion of the Arrangement.

### PRINCIPAL SHAREHOLDERS

The one issued and outstanding SilverWillow Share is currently held by SilverBirch. To the knowledge of SilverWillow, as of the date of the Information Circular, there are no persons who will, immediately following the completion of the Arrangement, directly or indirectly, own or exercise control or direction over, securities carrying more than ten percent of the voting rights attached to any class of voting securities of SilverWillow, except as set forth below:

Name	Number of SilverWillow Shares	Percentage of SilverWillow Shares
The Children's Investment Fund Management (UK) LLP <sup>(1)</sup>	9,373,739 <sup>(1)</sup>	17.5% <sup>(4)(5)</sup>
West Face Capital Inc. <sup>(2)</sup>	8,868,426 <sup>(2)</sup>	16.6% <sup>(4)(6)</sup>
Kevin Douglas <sup>(3)</sup>	9,630,200 <sup>(3)</sup>	18.0% <sup>(4)(7)</sup>

**Notes:**

- (1) Based on The Children's Investment Fund Management (UK) LLP holdings of SilverBirch Common Shares disclosed in the Lock-Up Agreement among The Children's Investment Fund Management (UK) LLP, the Purchaser and Teck dated as of January 8, 2012. The Children's Investment Fund Management (UK) LLP is an investment fund manager based in the United Kingdom.
- (2) Based on the West Face Capital Inc. holdings of SilverBirch Common Shares disclosed in the Lock-Up Agreement between West Face Capital Inc., the Purchaser and Teck dated as of January 8, 2012. Does not include derivative equity swaps representing 600,000 SilverBirch Common Shares that are disclosed on the West Face Capital Inc. profile on the System for Electronic Disclosure by Insiders. West Face Capital Inc.'s interest in the 600,000 SilverBirch Common Shares are not subject to its Lock-Up Agreement as it is unable to exercise a vote in respect of such SilverBirch Common Shares. West Face Capital Inc. is a Toronto-based investment manager.
- (3) Based on the Early Warning Report under Part 3 of National Instrument 62-103 – *The Early Warning System* filed with the securities regulatory authorities by Kevin Douglas on January 18, 2012. No subsequent filings have been noted to February 28, 2012.
- (4) Percentage based on the number of SilverBirch Common Shares issued and outstanding as at February 28, 2012 and assumes completion of the Arrangement, that no Dissent Rights have been exercised and that a total of 3,474,000 in-the-money SilverBirch Options will be exercised or redeemed prior to completion of the Arrangement.
- (5) Based on the number of SilverBirch Common Shares issued and outstanding as at February 27, 2012 and assuming the completion of the Arrangement, that no Dissent Rights have been exercised and that a total of 3,474,000 in-the-money SilverBirch Options are exercised prior to completion of the Arrangement. The Children's Investment Fund Management (UK) LLP will exercise control or direction over 15.9 percent of the issued and outstanding SilverWillow Shares on a fully-diluted basis.
- (6) Based on the number of SilverBirch Common Shares issued and outstanding as at February 27, 2012 and assuming the completion of the Arrangement, that no Dissent Rights have been exercised and that a total of 3,474,000 in-the-money SilverBirch Options are exercised prior to completion of the Arrangement. West Face Capital Inc. will exercise control or direction over 15.1 percent of the issued and outstanding SilverWillow Shares on a fully-diluted basis.
- (7) Based on the number of SilverBirch Common Shares issued and outstanding as at February 27, 2012 and assuming the completion of the Arrangement, that no Dissent Rights have been exercised and that a total of 3,474,000 in-the-money SilverBirch Options are exercised prior to completion of the Arrangement, Kevin Douglas will exercise control or direction over 16.4 percent of the SilverWillow Shares on a fully-diluted basis.

**DIRECTORS AND EXECUTIVE OFFICERS****Name, Address and Occupation**

The names, municipalities of residence, positions with SilverWillow and the principal occupations of the persons who will serve as directors and executive officers of SilverWillow after giving effect to the Arrangement are set out below, together with their pro forma holdings of SilverWillow Shares. Other than Ms. Pain, who has been appointed Chief Financial Officer of SilverWillow, and Mr. Tim McGaw, a newly appointed SilverWillow director, all officers and directors of SilverWillow hold substantially equivalent positions to those currently held with SilverBirch.

<b>Name, Province and Country of Residence</b>	<b>Offices Held and Time as Director or Officer</b>	<b>Principal Occupation (for last 5 years)</b>	<b>Pro Forma Holdings of SilverWillow Shares<sup>(1)</sup></b>
<b>Directors</b>			
Gregory A. Boland <sup>(2)</sup> Ontario, Canada	Director since February 16, 2012	Mr. Boland is the President and CEO of West Face Capital Inc., a Toronto-based investment manager. Prior to founding West Face Capital Inc. in 2006, Mr. Boland managed portfolios for Enterprise Capital Management beginning in 1998. Mr. Boland focuses on value and distressed investing and has been actively involved in the restructuring of a number of portfolio companies. Prior to joining Enterprise Capital Management, Mr. Boland was a Vice President and Partner in proprietary investments at RBC Dominion Securities. Mr. Boland holds a Bachelor of Commerce from the University of British Columbia.  Other current public directorships: SilverBirch, ACE Aviation Holdings Inc. and Maple Leaf Foods Inc.	59,000 (0.11%) <sup>(2)</sup>
Bonnie D. DuPont <sup>(7)</sup> Alberta, Canada	Director since February 16, 2012	From March 2010 to present, independent businesswoman. Prior thereto, from 2000 to March 2010, Group Vice President, Corporate Resources for Enbridge Inc., one of the leading energy transportation and distribution companies in North America. Prior thereto, from 1998 to 2000, Senior Vice President, Human Resources and Public Affairs of Enbridge Inc.  Other current public directorships: SilverBirch, Viterro Inc. and Bird Construction Inc.	69,000 (0.13%)
Martin R. Frass-Ehrfeld <sup>(3)</sup> London, United Kingdom	Director since February 16, 2012	Currently a partner of The Children's Investment Fund Management (UK) LLP, an investment fund manager. Prior thereto from 2001 to 2009, a Principal in the Corporate Private Equity Group of the Blackstone Group LP.  Other current public directorships: SilverBirch and Corridor Resources Inc.	Nil (nil%) <sup>(3)</sup>

Name, Province and Country of Residence	Offices Held and Time as Director or Officer	Principal Occupation (for last 5 years)	Pro Forma Holdings of SilverWillow Shares <sup>(1)</sup>
Donald R. Ingram, FCMA <sup>(4)</sup> Alberta, Canada	Chairman  Director since February 16, 2012	From 2008 to present, independent businessman. Prior thereto, from 2000 to 2008, Senior Vice President of Husky Energy Inc., a fully integrated oil and gas company, and Chairman and Director of Sultran Ltd., a sulphur logistics and transportation company, from 2002 to 2008.  Other current public directorships: SilverBirch, NAL Energy Corporation and Gibsons Energy Inc.	66,000 (0.12%)
Howard J. Lutley, P. Eng. <sup>(5)</sup> Alberta, Canada	President and Chief Executive Officer since January 5, 2012  Director since January 5, 2012	Currently the President and Chief Executive Officer of SilverWillow and of SilverBirch. Vice President, Mining and Extraction of UTS from 2004 to 2010. From April 2004 to August 2004, Chief Executive Officer and from 1998 to 2004, President of Norwest Corporation, an international energy, mining and environmental consulting company.  Other current public directorships: SilverBirch	806,999 (1.51%)
Timothy A. McGaw California, U.S.A.	Director since February 16, 2012	From 1991 to present, President of Douglas Telecommunications Inc., a private management company.  Other current public directorships: None	Nil (Nil%)
Douglas H. Mitchell, C.M., A.O.E., Q.C. <sup>(6)(7)</sup> Alberta, Canada	Director since February 16, 2012	From 2007 to present, National Co-Chair of Borden Ladner Gervais LLP, a national law firm. Prior thereto, from 2000 to 2006, Regional Managing Partner and National Co-Chair of Borden Ladner Gervais LLP. Prior thereto, from 1997 to 2000, Managing Partner of Howard Mackie, a predecessor firm to Borden Ladner Gervais LLP.  Other current public directorships: SilverBirch, Northern Property Real Estate Investment Trust, EPCOR Utilities Inc., AltaLink Management Ltd. and NorSerCo Inc.	119,000 (0.22%)
Glen D. Roane <sup>(6)(7)</sup> Alberta, Canada	Director since February 16, 2012	From 1997 to present, Corporate Director. Prior thereto, from 1994 to 1997, Vice President and Director of TD Asset Management Inc., an investment company. Prior thereto, from 1986 to 1994, Managing Director of Lancaster Financial Inc., a merchant bank.  Other current public directorships: SilverBirch, Enerplus Resources Corp., Badger Daylighting Inc. and Logan International Inc.	128,690 (0.24%)
William Watson <sup>(6)</sup> Calgary, Alberta	Director since February 16, 2012	Corporate director since 2010. Prior thereto, Chief Operating Officer S.E. Asia of Husky Energy from 2007 to 2010. Prior thereto, from 2004 to 2007, he was the Vice President, Engineering and Project Management of Husky Energy.  Other current public directorships: SilverBirch	64,600 (0.12%)

Name, Province and Country of Residence	Offices Held and Time as Director or Officer	Principal Occupation (for last 5 years)	Pro Forma Holdings of SilverWillow Shares <sup>(1)</sup>
<b>Officers (who are not also directors)</b>			
Jina D. Abells Morissette Alberta, Canada	Vice President, Legal and Administration and Corporate Secretary since January 5, 2012	Currently Vice President, Legal and Administration and Corporate Secretary of SilverWillow and SilverBirch. Prior thereto, Vice President (2009 to 2010), General Counsel (since 2008) and Corporate Secretary (2006 to 2010) of UTS. Prior thereto, Legal Counsel of UTS from 2004 to 2008. Prior thereto Senior Legal Counsel of Husky Energy Inc., an integrated energy and energy related company from 1999 to 2004.	459,792 (0.86%)
Philip M. Aldred Alberta, Canada	Vice President, Resources since February 16, 2012	Currently Vice President, Resources of SilverWillow and SilverBirch. From January 2010 to October 2010, General Manager, Exploration & Development of UTS, and from October 2006 to December 2009, Exploration Manager of UTS. Prior thereto, from 1997 to 2006, positions in resource development with the Oil Recovery and Gas business units at EnCana Corporation, an unconventional oil and gas exploration and development company.	415,974 (0.78%)
J. Cameron Bateman Alberta, Canada	Vice President, Projects since February 16, 2012	Currently Vice President, Projects of SilverWillow and SilverBirch. From January 2010 to October 2010 General Manager, HS&E and Stakeholder Affairs of UTS. Prior thereto, Manager, Regulatory and Stakeholder Affairs of UTS from 2007 to 2010. Prior thereto, Manager, Technical Services and Mine Engineering, Fuel Supply Department of TransAlta Utilities Corporation, an electric utility company from 2005 to 2006. Prior thereto, Manager, Technical Services, Fuel Supply Department of TransAlta Utilities Corporation from 2000 to 2005.	417,720 (0.78%)
Susan J. Pain Alberta, Canada	Vice President and Chief Financial Officer since February 16, 2012	Currently Vice President, Finance of SilverWillow and SilverBirch. From January 2010 to October 2010, Senior Controller of UTS. Prior thereto, Controller of UTS from 2007 to 2009. From 2002 to 2006, Manager, Finance of UTS.	416,388 (0.78%)

**Notes:**

- (1) Assumes that no Dissent Rights are exercised and that all of the in-the-money SilverBirch Options are exercised prior to the Arrangement.
- (2) Mr. Boland is a principal of West Face Capital Inc. In accordance with West Face Capital Inc.'s current holdings of SilverBirch Common Shares, their pro forma holdings of SilverWillow Shares would be 8,868,426 representing an aggregate of 16.6 percent of the issued and outstanding SilverWillow Shares. This does not include derivative equity swaps representing 600,000 SilverBirch Common Shares that are disclosed on the West Face Capital Inc. profile on the System for Electronic Disclosure by Insiders. West Face Capital Inc.'s interest in the 600,000 SilverBirch Common Shares are not included in calculations respecting its pro forma holdings of SilverWillow Shares as it is unable to exercise voting rights in respect of such SilverBirch Common Shares. See "Principal Shareholders".
- (3) Mr. Frass-Ehrfeld is a partner of The Children's Investment Fund Management (UK) LLP. Following the Arrangement it is anticipated that The Children's Investment Fund Management (UK) LLP will own 9,373,739 SilverWillow Shares, representing 17.5 percent of the issued and outstanding SilverWillow Shares. See "Principal Shareholders".
- (4) As the Chairman of the SilverWillow Board of Directors, Mr. Ingram will not be a member of any SilverWillow Board of Directors committees but he will be invited to attend all SilverWillow Board of Directors committee meetings and *in camera* sessions.

- (5) As a member of management, Mr. Lutley will not be a member of any SilverWillow Board of Directors committees but he will be invited to attend all SilverWillow Board of Directors committee meetings other than *in camera* sessions.
- (6) Proposed member of the SilverWillow Audit Committee.
- (7) Proposed member of the SilverWillow Compensation Committee.

Each of the directors of SilverWillow will hold office until the first annual meeting of the holders of SilverWillow Shares or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated in accordance with SilverWillow's articles or by-laws.

Assuming that no Dissent Rights are exercised and that all of the in-the-money SilverBirch Options are exercised for SilverBirch Common Shares prior to the Arrangement, it is anticipated that the current directors and executive officers of SilverWillow, as a group, will beneficially own, directly or indirectly, or exercise control or direction over 3,565,219 SilverWillow Shares or approximately 6.67 percent of the number of SilverWillow Shares that will be outstanding following completion of the Arrangement. It is further anticipated that West Face Capital Inc., of which a director is a principal, and The Children's Investment Fund Management (UK) LLP, of which a director is a partner, will beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 8,868,426 and 9,373,739 SilverWillow Shares, respectively, or approximately 16.6 percent and 17.5 percent, respectively, of the number of SilverWillow Shares that will be outstanding following completion of the Arrangement. Collectively, the current directors and executive officers of SilverWillow, as a group, will beneficially own, directly or indirectly, or exercise control or direction over, 21,807,384 SilverWillow Shares (including those beneficially owned, directly or indirectly, or over which control or direction is exercised by West Face Capital Inc. and The Children's Investment Fund Management (UK) LLP) or approximately 40.8 percent of the number of SilverWillow Shares that will be outstanding following completion of the Arrangement.

### Other Reporting Issuer Experience

The following table sets out the directors and officers of SilverWillow that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

<u>Name</u>	<u>Name and Jurisdiction of Reporting Issuer</u>	<u>Name of Trading Market</u>	<u>Position</u>	<u>From</u>	<u>To</u>
<b>Directors</b>					
Gregory A. Boland	SilverBirch Energy Corporation, Canada	TSX-V	Director	2010	Present
	ACE Aviation Holdings Inc., Canada	TSX	Director	2009	Present
	Maple Leaf Foods Inc., Canada	TSX	Director	2011	Present
Bonnie D. DuPont	SilverBirch Energy Corporation, Canada	TSX-V	Director	2010	Present
	UTS Energy Corporation, Canada	TSX	Director	2008	2010
	Viterra Inc., Canada	TSX	Director	2008	Present
	Bird Construction Inc., Canada	TSX	Director	2011	Present
	Enbridge Inc., Canada	TSX	Group Vice President, Corporate Resources	1998	2010
Martin R. Frass- Ehrfeld	SilverBirch Energy Corporation, Canada	TSX-V	Director	2010	Present
	Corridor Resources Inc., Canada	TSX	Director	2011	Present
Donald R. Ingram	SilverBirch Energy Corporation, Canada	TSX-V	Director	2010	Present
	UTS Energy Corporation, Canada	TSX	Director	2008	2010
	NAL Energy Corporation, Canada	TSX	Director	2009	Present
	Greenfields Petroleum Corporation, Canada	TSX	Director	2010	2011
	Gibsons Energy Inc., Canada	TSX	Director	2011	Present
Husky Energy Inc., Canada	TSX	Senior Vice President, Midstream & Refined Products	2000	2008	
Howard J. Lutley	SilverBirch Energy Corporation, Canada	TSX-V	President and Chief Executive Officer and Director	2010	Present
	UTS Energy Corporation, Canada	TSX	Vice President, Mining and Extraction	2004	2010

<b>Name</b>	<b>Name and Jurisdiction of Reporting Issuer</b>	<b>Name of Trading Market</b>	<b>Position</b>	<b>From</b>	<b>To</b>
Douglas H. Mitchell	SilverBirch Energy Corporation, Canada	TSX-V	Director	2010	Present
	UTS Energy Corporation, Canada	TSX	Director	2001	2010
	Northern Property Real Estate Investment Trust, Canada	TSX	Director	2002	Present
	EPCOR Utilities Inc., Canada	TSX	Director	2002	Present
	AltaLink Management Ltd., Canada	TSX	Director	2002	Present
	Masters Energy, Canada	TSX	Director	2004	2009
Glen D. Roane	NorSerCo Inc., Canada	TSX	Director	2011	Present
	SilverBirch Energy Corporation, Canada	TSX-V	Director	2010	Present
	UTS Energy Corporation, Canada	TSX	Director	2008	2010
	Enerplus Resources Corp., Canada	TSX, NYSE	Director	2004	Present
	Badger Daylighting Inc., Canada	TSX	Director	2004	Present
William Watson	Logan International Inc., Canada	TSX	Director	2001	Present
	Compton Petroleum Corporation	TSX	Director	2012	Present
	SilverBirch Energy Corporation, Canada	TSX-V	Director	2010	Present
	Husky Energy, Canada	TSX	Chief Operating Officer S.E. Asia Vice President, Engineering Lead Project Management Officer	2007 2004 2004	2010 2007 2010

<b>Name</b>	<b>Name and Jurisdiction of Reporting Issuer</b>	<b>Name of Trading Market</b>	<b>Position</b>	<b>From</b>	<b>To</b>
<b>Officers (who are not also directors)</b>					
Jina D. Abells Morissette	SilverBirch Energy Corporation, Canada	TSX-V	Vice President, Legal and Administration	2010	Present
	UTS Energy Corporation, Canada	TSX	Vice President	2009	2010
			General Counsel Corporate Secretary	2008 2006	2010 2010
Philip M. Aldred	SilverBirch Energy Corporation, Canada	TSX-V	Vice President, Resources	2010	Present
J. Cameron Bateman	SilverBirch Energy Corporation, Canada	TSX-V	Vice President, Projects	2010	Present
Susan Pain	SilverBirch Energy Corporation, Canada	TSX-V	Vice President, Finance	2010	Present

### Corporate Cease Trade Orders

None of the directors or executive officers of SilverWillow is or has been, within the ten years prior to the date of the Information Circular, a director, chief executive officer or chief financial officer of any company (including SilverWillow) that, (i) while the person was acting in the capacity as director, chief executive officer or chief financial officer, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or (ii) was subject to a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued after the director or chief executive officer or chief financial officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer.

### **Penalties or Sanctions**

None of the directors, executive officers or securityholders holding a sufficient number of securities of SilverWillow to affect materially the control of SilverWillow has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Bankruptcies**

None of the directors, executive officers or securityholders holding a sufficient number of securities of SilverWillow to affect materially the control of SilverWillow is or has, within the last ten years prior to the date of the Information Circular, been a director or executive officer of any company (including SilverWillow) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

In addition, none of the directors, executive officers or securityholders holding a sufficient number of securities of SilverWillow to affect materially the control of SilverWillow has, within the ten years prior to the date of the Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or securityholder.

### **Conflicts of Interest**

There are potential conflicts of interest to which the directors and officers of SilverWillow will be subject in connection with the operations of SilverWillow. In particular, certain directors and officers of SilverWillow are involved in managerial or director positions with other oil and gas companies whose operations may, from time to time, be in direct competition with those of SilverWillow or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of SilverWillow. Conflicts, if any, will be subject to the procedures and remedies available under the CBCA. The CBCA provides that, in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the CBCA. As at the date of the Information Circular, SilverWillow is not aware of any existing or potential material conflicts of interest between SilverWillow and any director or officer of SilverWillow.

## **BACKGROUNDS OF MANAGEMENT**

Profiles of the officers of SilverWillow are set forth below.

### **Howard J. Lutley, President and Chief Executive Officer**

Mr. Lutley has more than 30 years experience in operations and engineering at surface and underground mines in the United Kingdom, Canada and the USA. He will be the President and Chief Executive Officer of SilverWillow, has been the President and Chief Executive Officer of SilverBirch since August 2010 and was the Vice President of Mining and Extraction of UTS from September 2004 to October 2010. He has been involved in all phases of the development of the Audet Lands, which will be SilverWillow's principal assets. Prior to joining UTS, Mr. Lutley served as a Senior Project Manager, followed by Vice President and General Manager and later as President and Chief Executive Officer of Norwest Corporation, an internationally recognized leader in providing consulting expertise in the energy, mining and natural resources industries. During his time at Norwest Corporation, Mr. Lutley was responsible for the development of Norwest on a world-wide basis with a focus on broadening the role of the company as a leading global mining and energy consulting organization. Mr. Lutley has managed major feasibility studies in the oil sands in northern Alberta, as well as coal projects in North and South America. In addition, he has conducted technical and due diligence reviews for financial institutions and corporations and managed the construction of surface mine facilities.

Mr. Lutley was a founding director and president of NRL Energy Ltd., one of Canada's first coal bed methane companies, is a past director of the Oil Sands Developers Group and the Alberta Chamber of Resources. He holds a Bachelor of Science in Mining Engineering from London University in the United Kingdom and a Master of Science in Mining Engineering from the University of Alberta. Mr. Lutley is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta and a Fellow at the Canadian Institute of Mining and Metallurgy. Mr. Lutley is a full time employee of SilverBirch and following completion of the Arrangement will be a full time employee of SilverWillow.

### **Susan J. Pain, Vice President and Chief Financial Officer**

Ms. Pain has 24 years of experience as a Certified General Accountant. She will be the Vice President and Chief Financial Officer of SilverWillow, is the current Vice President, Finance of SilverBirch and was an integral part of the UTS finance team in her various roles as Manager Finance, Controller and Senior Controller from 2002 to 2010. Prior to joining UTS

she provided client accounting, financial reporting, taxation, auditing and various other associated services with Dick Cook Shulli Chartered Accountants to clients in a wide range of industries from 1997 through 2002, and with Grieves and Associates Chartered Accountants from 1984 to 1997. Ms. Pain obtained a Bachelor of Business Administration with a political science minor from Simon Fraser University in 1984 and she became a Certified General Accountant in 1987. Ms. Pain is a full time employee of SilverBirch and following completion of the Arrangement will be a full-time employee of SilverWillow.

**Jina D. Abells Morissette, Vice President, Legal and Administration and Corporate Secretary**

Ms. Abells Morissette has over 12 years experience as a lawyer in the oil and gas industry. She will be Vice President, Legal and Administration and Corporate Secretary at SilverWillow, is the current Vice President, Legal and Administration and Corporate Secretary of SilverBirch and was the Vice President, General Counsel and Corporate Secretary with UTS prior thereto. She joined UTS in 2004 as Legal Counsel and was appointed Corporate Secretary in 2006. She was promoted to General Counsel in 2008 and Vice President in 2009. Ms. Abells Morissette worked on the partnering agreement with Petro-Canada (now Suncor Energy Inc.) and Teck Resources Limited with respect to the Fort Hills Project. Prior to joining UTS, Ms. Abells Morissette was employed at Husky Energy Inc., working for the Canadian Offshore and International Business Group. While at Husky she worked primarily on the White Rose Project, an off-shore project located off the coast of Newfoundland and Labrador, and was involved in the negotiation of the contracts for development of FPSO and subsea systems. She has a Bachelor of Administration with a major in marketing from the University of Regina and a LL.B. from the University of Saskatchewan. Ms. Abells Morissette is a member of the Law Society of Alberta, the Law Society of Saskatchewan and the Canadian Bar Association. Ms. Abells Morissette is a full-time employee of SilverBirch and following completion of the Arrangement will be a part-time employee of SilverWillow.

**Philip M. Aldred, Vice President, Resources**

Mr. Aldred has over 30 years experience in the oil and gas industry, including assignments with resource management teams responsible for natural gas and oil sands development in north-eastern Alberta. He will be the Vice President, Resources of SilverWillow, is the current Vice President, Resources of SilverBirch and was responsible for the planning and execution of UTS' exploration field programs from 2006 to 2010. Prior to joining UTS, Mr. Aldred was employed by EnCana Corporation where his responsibilities included the generation of exploration and development well locations and evaluation of growth opportunities in support of natural gas and SAGD development. He also spent 12 years with Amoco Canada Petroleum Company Ltd./Dome Petroleum Ltd., and a number of years in the geophysical services sector. Mr. Aldred holds a Bachelor of Science degree in physics from Imperial College of Science and Technology, University of London and a Master of Science in electrical engineering from the University of Manchester Institute of Science and Technology. He is a member of the Canadian Society of Exploration Geophysicists. Mr. Aldred is a full-time employee of SilverBirch and following completion of the Arrangement will be a full-time employee of SilverWillow.

**J. Cameron Bateman, Vice President, Projects**

Mr. Bateman has 30 years of experience in mine development and reclamation planning, mine licensing and permitting, environmental impact assessment, monitoring and mitigation, stakeholder relations and land acquisition and administration. He will be Vice President, Projects of SilverWillow, is the current Vice President, Projects of SilverBirch and was responsible for regulatory and stakeholder affairs at UTS from 2007 to October 2010. Prior to joining UTS, Mr. Bateman spent 16 years at TransAlta Utilities Corp. as Manager of Technical Services and Mine Engineering in the Fuel Supply Department from 2005 until 2006, Manager of Technical Services, Fuel Supply Department from 2000 to 2005 and as a senior reclamation specialist from 1991 through 2000. In these positions he led a multifunctional mine development and planning team, managed the preparation of reclamation plans, regulatory applications and monitoring reports and was accountable for negotiating the purchase of land for Alberta based mine expansion. Mr. Bateman also spent 10 years as a forester/reclamation specialist at Monenco Consultants Limited. He holds a Bachelor of Science in forestry and a Masters in Science in soil science from the University of Alberta. Mr. Bateman is a Registered Professional Forester and a Professional Agrologist and is a member of the Canadian Institute of Mining. He was on the board of directors of the National Mining Association in Washington D.C. from 2001 to 2006 and was appointed to the Mine Liability Management Committee, Alberta Chamber of Resources from 2004 through 2006. Mr. Bateman is a full-time employee of SilverBirch and following completion of the Arrangement will be a full-time employee of SilverWillow.

**COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS**

To date, SilverWillow has not carried on any active business and has not completed a fiscal year of operations. No compensation has been paid by SilverWillow to its executive officers or directors and none will be paid until after the Arrangement has been completed. Following completion of the Arrangement, it is anticipated that the executive officers of SilverWillow will be paid salaries at a level that is commensurate with their particular roles and responsibilities and comparable to companies of similar size and character. It is expected that such salaries will be at a similar level to what each executive officer currently receives in their respective position with SilverBirch.

As at the date of the Information Circular, there are no executive contracts in place between SilverWillow and any of the executive officers of SilverWillow and there are no provisions with SilverWillow for compensation for the executive



officers of SilverWillow in the event of termination of employment or a change in responsibilities following a change of control of SilverWillow. It is expected that SilverWillow will enter into executive contracts with each of the executive officers of SilverWillow on or before the Effective Date.

SilverWillow has not established an annual retainer fee or attendance fee for directors. However, SilverWillow will establish directors' fees in the future and will reimburse directors for all reasonable expenses incurred in order to attend meetings. It is anticipated that the SilverWillow directors' fees and reimbursements will be comparable to those currently paid by SilverBirch and that directors will be compensated for their time and effort by granting them options to acquire SilverWillow Shares pursuant to the SilverWillow Stock Option Plan.

#### **COMPENSATION COMMITTEE AND COMPENSATION GOVERNANCE**

Prior to the Effective Date, the SilverWillow Board of Directors will appoint a compensation committee. While the compensation committee has not yet been appointed for SilverWillow, the proposed members of the compensation committee of SilverWillow are Bonnie D. DuPont (proposed Chair), Douglas H. Mitchell and Glen D. Roane all of whom are independent.

##### **Bonnie D. DuPont – Independent Director**

Ms. DuPont retired from Enbridge Inc. in 2010 with 30 years in an executive role overseeing corporate resources. She was responsible for the Corporate Secretariat function, Corporate IT, Human Resources, Public and Government Affairs and Corporate Social Responsibility. She sits on the boards of the Bank of Canada, Viterra Inc., SilverBirch, Bird Construction Inc., and the University of Calgary. Ms. DuPont chairs the Human Resources and Compensation Committees at the Bank of Canada and the University of Calgary and is the incoming Chair of the Human Resources and Compensation Committee at Bird Construction Inc. She is a member of the Human Resources and Compensation Committee at Viterra Inc. She is also past President of the Calgary Petroleum Club. Ms. DuPont holds a Bachelors degree (Great Distinction) with a focus in Program Administration and Evaluation and Psychology from the University of Regina. She earned her Masters degree at the University of Calgary. She is a member of the Institute of Corporate Directors (ICD) and a 2006 graduate of the ICD Directors' Education Program. Ms. DuPont is also a Certified Human Resources Professional and is a member of the International Women's Forum. In 2008, Ms. DuPont was awarded an Honorary Doctorate of Laws degree by the University of Regina and in 2011 she was awarded an Honorary Doctorate in Technology by SAIT Polytechnic.

##### **Douglas H. Mitchell – Independent Director**

Mr. Mitchell is National Co-Chairman of Borden Ladner Gervais LLP and specializes in corporate and commercial law. He is a director of several corporations and community organizations, including a director and member of the Governance, Compensation and Nominating Committee of SilverBirch, a director of AltaLink Management Ltd., a director of EPCOR Utilities Inc., a trustee of Northern Property Real Estate Investment Trust, Chair of the Calgary Airport Authority, Chairman of the Calgary Tourism Sports Authority and a member of the CFL Board of Governors. Mr. Mitchell is the past Chair of the Board of Governors of the Southern Alberta Institute of Technology, past Chairman of the Alberta Economic Development Authority, a past President of the Calgary Chamber of Commerce and a former Commissioner of the Canadian Football League. Mr. Mitchell holds a LL.B. (1962) from the University of British Columbia and a Bachelor of Arts in Business Administration (1959) from Colorado College. His professional and community-based achievements were recognized with an appointment to the Order of Canada in 2004 and in 2007 he was inducted into the Alberta Order of Excellence. Mr. Mitchell previously and currently serves on a number of governance and compensation committees other than SilverWillow and having served as Regional Managing Partner of Borden Ladner Gervais for over 10 years, was the ultimate person in charge of the governance and compensation of the office.

##### **Glen D. Roane – Independent Director**

Mr. Roane has served as a Corporate Director to various public and private companies since 1999. He has over 18 years of experience in commercial banking, investment banking and investment management. He was the Vice President and Director of TD Asset Management Inc., an investment company, from 1994 to 1997 and the Managing Director of Lancaster Financial Inc., a merchant bank, from 1986 to 1994. Mr. Roane received his Bachelor of Arts in 1977 and his Master of Business Administration in 1979 from Queen's University in Kingston, Ontario. From his experience, he has gained an understanding and importance of corporate governance, as well as a practical understanding of, including the application of, compensation philosophy and succession planning for both Board of Directors and management. Through Mr. Roane's extensive experience on boards of publicly traded companies he has developed excellent insight into the current practices of many companies and amassed significant knowledge in the area of governance and compensation.

#### **STOCK OPTIONS**

At the Meeting, SilverBirch Shareholders will be asked to consider and, if deemed advisable, ratify and approve the adoption by SilverWillow of the SilverWillow Stock Option Plan, which will authorize the SilverWillow Board of Directors to issue SilverWillow Options to directors, executive officers, employees and consultants of SilverWillow and its subsidiaries. To be adopted, the ordinary resolution must be approved by a simple majority of votes cast at the Meeting by

SilverBirch Shareholders. Approval of the SilverWillow Stock Option Plan by SilverBirch Shareholders will be required by the TSX-V. In the event that the SilverWillow Stock Option Plan is not approved at the Meeting, it is expected that SilverWillow would consider the provision of comparable compensation to its directors, executive officers, employees and consultants in the form of cash or other appropriate arrangements. A copy of the SilverWillow Stock Option Plan is set out in Appendix H to the Information Circular. See "Other Matter of Special Business Relating to SilverWillow – Approval of SilverWillow Stock Option Plan" in the Information Circular.

It is anticipated that following completion of the Arrangement, SilverWillow will grant SilverWillow Options to purchase SilverWillow Shares to directors, executive officers, employees and consultants of SilverWillow and its subsidiaries. As at the date hereof, the number of SilverWillow Options to be granted and the service providers who will receive such SilverWillow Options have not yet been determined by SilverWillow.

Approval of the SilverWillow Stock Option Plan by SilverBirch Shareholders at the Meeting is not a condition of the Arrangement.

#### **SPONSORSHIP**

SilverWillow has applied for and received an exemption from the sponsorship requirement of the TSX-V in connection with its application for listing of the SilverWillow Shares on the TSX-V.

#### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

There exists no indebtedness of the directors or executive officers of SilverWillow, or of any of their associates, to SilverWillow, nor is any indebtedness of any of such persons to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by SilverWillow.

#### **AUDIT COMMITTEE AND CORPORATE GOVERNANCE**

Prior to the Effective Date, the SilverWillow Board of Directors will appoint an audit committee the composition of which will comply with the requirements of the CBCA, Securities Laws and the TSX-V. The SilverWillow Board of Directors may from time to time establish additional committees. The mandates of each of the committees will be established following completion of the Arrangement and will be in compliance with applicable legal, regulatory and TSX-V requirements.

While the audit committee has not yet been appointed for SilverWillow, the proposed members of the audit committee of SilverWillow are Glen D. Roane (proposed Chair), Douglas H. Mitchell and William Watson. As at the date of the Information Circular, Mr. Roane, Mr. Mitchell and Mr. Watson are all independent and are considered to be "financially literate" pursuant to National Instrument 52-110 – *Audit Committees*.

#### **Glen D. Roane – Independent Director**

Mr. Roane has served as a Corporate Director to various public and private companies since 1999 and is currently a director of SilverBirch and a member of the SilverBirch Audit Committee and the SilverBirch Governance, Compensation and Nominating Committee. He has over 18 years of experience in commercial banking, investment banking and investment management. He was the Vice President and Director of TD Asset Management Inc., an investment company, from 1994 to 1997 and the Managing Director of Lancaster Financial Inc., a merchant bank, from 1986 to 1994. Mr. Roane received his Bachelor of Arts in 1977 and his Master of Business Administration in 1979 from Queen's University in Kingston, Ontario.

#### **Douglas H. Mitchell – Independent Director**

Mr. Mitchell is National Co-Chairman of Borden Ladner Gervais LLP and specializes in corporate and commercial law. He is a director of several corporations and community organizations, including a director and member of the Governance, Compensation and Nominating Committee of SilverBirch, a director of AltaLink Management Ltd., a director of EPCOR Utilities Inc., a trustee of Northern Property Real Estate Investment Trust, Chair of the Calgary Airport Authority, Chairman of the Calgary Tourism Sports Authority and a member of the CFL Board of Governors. Mr. Mitchell is the past Chair of the Board of Governors of the Southern Alberta Institute of Technology, past Chairman of the Alberta Economic Development Authority, a past President of the Calgary Chamber of Commerce and a former Commissioner of the Canadian Football League. Mr. Mitchell holds a LL.B. (1962) from the University of British Columbia and a Bachelor of Arts in Business Administration (1959) from Colorado College. His professional and community-based achievements were recognized with an appointment to the Order of Canada in 2004 and in 2007 he was inducted into the Alberta Order of Excellence. From his experience, he has gained an understanding of the elements and application of effective internal controls, as well as a practical understanding and application of general accounting principles and the analysis and evaluation of financial statements.

### **William Watson – Independent Director**

Mr. Watson has served as a lead officer and business unit leader of major corporations for over 35 years and has a solid understanding of accounting principles and company accounts. He also received formal training within the Institute of Corporate Directors for the roles and responsibilities of audit committee members, audit processes, insights into skills and competencies required to serve on an audit committee and reporting obligations. Mr. Watson received his degree in Mechanical Engineering from Napier University in Edinburgh, Scotland, and completed an advanced management program at Indiana University.

### **RISK FACTORS**

An investment in SilverWillow should be considered highly speculative due to the nature of its activities and the stage of its development upon completion of the Arrangement. SilverWillow was incorporated for the sole purpose of participating in the Arrangement and has not carried on any material business other than in connection with the Arrangement and related matters. Following completion of the Arrangement, SilverWillow will carry on the business currently carried on by SilverBirch and Teck, with respect to the Spin-Off Assets. Investors should carefully consider the following risk factors and the risk factors set forth under the heading "Risk Factors" in the Information Circular.

The market value of SilverWillow will be largely determined by investor confidence in the potential for successful development of the Audet Lands. Any events that negatively impact further exploration activities, the delineation of a project for the Audet Lands, the development schedule or potential project economics need to be considered risk factors. These include oil prices, exploration costs, development costs, possible changes to the fiscal regime and possible changes to environmental or other relevant regulations or delays in receiving regulatory approvals and lease tenure.

#### **Early Stage of Development and High Risk Exploration and Development Activities**

The business of SilverWillow should be considered speculative due to its present stage of development. There can be no assurance that SilverWillow will be able to generate and sustain revenue or net income in the future.

SilverWillow's exploration and evaluation activities are primarily focused on undeveloped oil sands rights which are high risk ventures with uncertain prospects for success. To date, the activities relating to the Spin-Off Assets are exploratory only, which increases the degree of risk substantially as compared to oil sands projects in the production stage. SilverWillow will have no earnings to support it should its properties prove not to be commercially viable.

SilverWillow's exploration and possible development activities in its oil sands interests will depend in part on the evaluation of data obtained through geophysical testing and geological analysis. The results of such studies and tests are often subject to varying interpretations, and no assurance can be given that such activities will produce bitumen in commercial quantities. The exploration, evaluation and development activities that will be undertaken by SilverWillow are subject to greater risks than those normally associated with the acquisition and ownership of producing properties. SilverWillow's properties may fail to produce hydrocarbons in commercial quantities.

Oil sands exploration, development and production involves many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of SilverWillow depends on its ability to find, acquire, develop and commercially produce bitumen reserves.

Future oil sands exploration may involve unprofitable efforts. Environmental damage could greatly increase the cost of operations and various field operating conditions may adversely affect production. These conditions include delays in obtaining governmental approvals or consents, insufficient storage, transportation or processing capacity or other geological and mechanical conditions.

SilverWillow will be vulnerable to market prices and fixed costs, including costs associated with project development, exploration and delineation activities, operations, leases, labour costs, and depreciation which will account for a significant portion of SilverWillow's costs and expenses. If actual operating expenses are higher than estimated, SilverWillow's profit margin will be lower than expected and SilverWillow's business and results of operations may be adversely affected.

#### **Risks Associated with DBIIP Resources Estimates**

The Sproule Audet Report, and the Sproule Audet Technical Review, provide an assessment of the DBIIP resources for the Audet Lands. The term "discovered bitumen initially-in-place" is taken from the COGEH. The DBIIP resource volumes taken from the Sproule Audet Report and the Sproule Audet Technical Review refer to quantities of bitumen estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of DBIIP includes production, reserves and contingent resources with the remainder being unrecoverable. The contingencies that prevent a portion of these discovered bitumen resources from being classified as reserves include, but are not limited to, current uncertainties around the specific scope, costs, manner and timing of the development of the Audet Lands as no project for the Audet Lands has been defined, lack of regulatory approval, uncertainty regarding the presence, extent and integrity of cap rock, commodity price fluctuations, timing, costs estimates and final approval of the SilverWillow Board of Directors.

These contingencies may not be resolved in the manner or on the timeline anticipated or at all. There is no certainty that it will be commercially viable to produce any portion of the discovered resources.

The estimates of DBIIP attributable to the Audet Lands are based on core hole drilling in the first quarter of 2011. For purposes of the resource delineation, a total of 34 core holes were drilled within the leases comprising the Audet Lands and were reviewed by Sproule for the technical assessment of the original bitumen-in-place volumes for the Audet Lands. During the 2012 winter drilling season approximately 40 additional core holes are expected to be drilled on the leases comprising the Audet Lands for purposes of resource delineation. The drilling and analysis of these additional core holes has not been completed and the results of such activity, or of any future core hole drilling on the leases comprising the Audet Lands may have an impact on the estimated discovered resources for the property.

### **Hydrocarbon Resources**

There are numerous uncertainties inherent in estimating quantities of resources, including many factors beyond SilverBirch's and SilverWillow's control, and no assurance can be given that the indicated level of resources will be realized. In general, estimates of discovered resources are based upon a number of factors and assumptions made as of the date on which the resource estimates were determined, such as geological and engineering estimates, which have inherent uncertainties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain and classifications of resources are only attempts to define the degree of uncertainty involved. For these reasons, estimates of discovered resources and the further classification of such resources based on risk of recovery prepared by different engineers or by the same engineers at different times may vary substantially.

Estimates with respect to resources that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of resources, rather than upon actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same resources based upon production history will result in variations, which may be material, in the estimated resources.

### **Financing Risk**

Prior to commercial production from the Audet Lands, which is not expected for a number of years and is subject in any event to the risks described in this section, SilverWillow will have limited financial resources and a limited source of income, principally in the form of asset sales and farm-outs. SilverWillow anticipates making substantial capital expenditures for the acquisition, exploration, evaluation, delineation, development of and production from any potential project related to its properties. There can be no assurance that debt or equity financing, a bank loan facility or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to SilverWillow. The inability of SilverWillow to access sufficient capital for its operations could have a material adverse effect on SilverWillow's business, financial condition, results of operations and prospects, could result in the delay or indefinite postponement of further exploration, evaluation and development of SilverWillow's properties or the possible loss of its properties and could put at risk SilverWillow's ability to operate as a going concern.

Capital requirements are subject to normal capital market risks, primarily the availability and cost of capital. The extent to which SilverWillow will need to access additional funding will be subject to normal capital market risks, primarily the availability and cost of capital. Continuing improvement and sustainability of the global financial markets will be critical in determining the availability and cost of the debt and equity financing that may be required for development of the Audet Lands, the Birch Mountain Lands and the Other Exploration Lands.

Expectations for the future price of oil will be an important factor determining SilverWillow's ability to access debt financing at the time that this may become necessary. See "Risk Factors – Oil Prices."

The Governments of Canada and Alberta are beginning to respond to the growing public concern and international criticism of Canada's environmental record, driven in large part by oil sands development. To date, these responses have continued to stress the importance of oil sands development to Canada's economic opportunities and have had limited impact on the pace or cost of development. However, future initiatives could have a more significant impact on the cost of oil sands development and hence the availability of financing for such developments.

Neither SilverWillow's articles nor its by-laws limit the amount of indebtedness that SilverWillow may incur. The level of SilverWillow's indebtedness from time to time could impair SilverWillow's ability to obtain additional financing on a timely basis or take advantage of business opportunities as they arise.

### **Personnel**

Further exploration and evaluation and any future project delineation and development of the Audet Lands, the Birch Mountain Lands and the Other Exploration Lands will require experienced executive and management personnel and operational employees and contractors with expertise in a wide range of areas. There can be no assurance that all of the required employees and contractors with the necessary expertise will be available. Should other oil sands projects or

expansions proceed in the same time frame as SilverWillow's projects, SilverWillow may compete with these other projects for experienced employees and contractors and such competition may result in increases to compensation paid to such personnel or to a lack of qualified personnel.

Any inability on the part of SilverWillow to attract and retain qualified personnel may delay or interrupt the exploration and evaluation and future project delineation and development on the Audet Lands, the Birch Mountain Lands or the Other Exploration Lands. Sustained delays or interruptions could have a material adverse effect on the financial condition and performance of SilverWillow. In addition, rising personnel costs would adversely impact the costs associated with the exploration and evaluation and future project delineation and development on the Audet Lands, the Birch Mountain Lands or the Other Exploration Lands, which could be significant and material.

### **Risks Related to the Arrangement**

The estimated working capital of SilverWillow upon completion of the Arrangement is inherently difficult to calculate and dependent upon assumptions such as future results of SilverBirch operations up to the date of calculation, costs of the Arrangement and other factors. In particular the amount of working capital of SilverWillow upon completion of the Arrangement will be affected by the trading price of SilverBirch Common Shares prior to completion of the Arrangement as the trading price of such shares proximate to the Effective Time is expected to impact upon the decision of holders of SilverBirch Options having an exercise price of \$8.89 to exercise such options, which in turn will directly affect the amount of Transferred Working Capital from payment of the exercise price of such options. As well, the trading price of SilverBirch Common Shares proximate in time to completion of the Arrangement will have a direct bearing on the estimated fair market value of the Spin-Off Assets and the amount of Retained Cash to be retained by SilverBirch within the Retained Assets for purposes of paying any tax liabilities of SilverBirch resulting from the transfer of the Spin-Off Assets to SilverWillow. Specifically, Section 5.3 of the Arrangement Agreement requires that the estimated Pre-Closing Taxes be calculated on a reasonable basis taking into account the implied value of SilverWillow based upon the five-trading day volume weighted average trading price of the SilverBirch Common Shares ending on the sixth business day preceding the estimated Closing Date. In the event that the actual Pre-Closing Taxes are greater than the amount of the Retained Cash, SilverWillow will indemnify SilverBirch to the amount of such difference. The actual working capital amount at the close of the Arrangement may be materially different than the current estimate and such a difference could have a material adverse effect on the financial position of SilverWillow and its ability to fund its exploration, evaluation and development program relating to the Spin-Off Assets and its ability to fund its exploration, evaluation and development program relative to the Spin-Off Assets.

### **Cost Overruns**

The total costs to evaluate, design and delineate projects for, develop and construct SilverWillow's properties and commence commercial bitumen extraction operations have not been and will not be fully determined until the commissioning of any future projects relating to such properties is completed. Further, there can be no assurance that future development or construction activities will commence in accordance with expectations or at all. Delays could result in an increase to any future project costs.

Capital costs associated with the development of SilverWillow's properties will not be fully determined until the future projects in respect of such properties are completed. There is no assurance that capital cost overruns will not occur. Moreover, existing oil sands development projects have at times experienced escalating costs and significant cost overruns.

The operating costs of an oil sands development project, which has the potential to vary considerably, are significant components of the cost of production of the petroleum products produced by any such project. If significant increases in operating costs are incurred it may have a material adverse effect on SilverWillow.

SilverWillow does not expect to hold project delay/cost overrun insurance in the future and, even if such insurance is available at a reasonable cost and obtained, there can be no assurance that the coverage amount will be sufficient for all cost overruns, that SilverWillow will be able to satisfy the conditions to making a claim under such insurance, that SilverWillow will be successful in asserting any claim under such insurance, or that any claims under insurance will be paid in a timely fashion.

### **Lease Tenure**

SilverWillow's properties are held in the form of leases and working interests in leases. If SilverWillow or the holder of the lease fails to meet the specific requirement of a lease, the lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each lease will be met. The termination or expiration of SilverWillow's leases or the working interests relating to a licence or lease may have a material adverse effect on SilverWillow's business, financial condition, results of operations and prospects.

### **Environmental and Regulatory Approvals**

The construction, operation and decommissioning of potential future projects related to the Spin-Off Assets and reclamation of the land to be held by SilverWillow will be conditional upon various environmental and regulatory

approvals issued by governmental authorities. There is no assurance such approvals will be issued, or, once issued or renewed, that they will not contain terms and conditions which make SilverWillow's potential future projects uneconomic or cause SilverWillow and its partners to significantly alter their potential future projects from what would otherwise be planned. Although SilverWillow believes that any future projects will be in general compliance with applicable environmental and safety regulatory approvals, statutes and regulations, risks of substantial costs and liabilities are inherent in oil sands recovery and upgrading operations and there can be no assurance that substantial costs and liabilities will not be incurred or that any of its future projects will be permitted to carry on operations. Moreover, it is possible that other developments, such as increasingly strict environmental and safety statutes, regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from SilverWillow's operations, could result in substantial costs and liabilities to SilverWillow or delays to or abandonment of any future projects of SilverWillow.

SilverWillow will be responsible for obtaining and complying with the applicable environmental and regulatory approvals, compliance with the applicable laws and regulations regarding environmental protection and operational safety laws and regulations, and all associated costs, which could be substantial.

### **SAGD Bitumen Recovery Process**

It is currently anticipated that a future development project associated with the Audet Lands will utilize SAGD processes for recovery of some portion of the bitumen attributed to the property. The recovery of bitumen using SAGD processes is subject to uncertainty. Current SAGD technologies for *in situ* extraction of bitumen are energy intensive, requiring significant consumption of natural gas or other fuels to produce steam for use in the recovery process. There can be no assurance that SilverWillow's future operations will produce bitumen at the expected levels or on schedule. The amount of steam required in the production process can vary and impact costs significantly. The quality and performance of the bitumen reservoir can also impact steam-oil-ratio and the timing and levels of production using this technology. Should SilverWillow encounter adverse reservoir conditions in any future operations, bitumen recovery levels achieved by SilverWillow using SAGD processes may be negatively impacted.

### **Abandonment and Reclamation Costs**

SilverWillow will need to comply with the terms and conditions of environmental and regulatory approvals and all laws and regulations regarding the abandonment of any of its future projects and reclamation of such project lands at the end of their economic life, which may result in substantial abandonment and reclamation costs. Any failure to comply with the terms and conditions of future approvals and such legislation and/or regulations may result in the imposition of fines and penalties.

It is not possible at this time to estimate abandonment and reclamation costs reliably since they will, in part, depend on the nature and scope of SilverWillow's future projects and future regulatory requirements. In addition, in the future, SilverWillow may determine it prudent or be required by applicable laws, regulations or regulatory approvals to establish and fund one or more reclamation funds to provide for payment of future abandonment and reclamation costs. If SilverWillow establishes a reclamation fund, its liquidity and cash flow may be adversely affected.

### **Engagement of Stakeholders in Development of the Audet Lands**

SilverWillow expects that achieving and maintaining strong relationships with the local communities, including Aboriginal communities, will be a key factor in its success, and that the associated costs to meet the various government initiatives and stakeholder concerns must be managed to ensure that SilverWillow will be granted approval to develop its oil sands resources.

SilverWillow intends to continue initiatives previously pursued by SilverBirch seeking to reduce any development risk associated with its properties through a series of steps, including related studies, to ensure the parties understand the technical and economic tradeoffs associated with meeting emerging needs. These studies include capture and management of greenhouse gases, reduction of natural gas consumption, and assessing options for improvement in water usage associated with *in situ* bitumen recovery operations.

SilverWillow intends to continue undertaking an engaged outreach program with government regulators and stakeholder communities to ensure they gain a strong understanding of their concerns and reach agreement on how they will attempt to address these concerns within project design parameters.

Participant involvement compliance can require significant expenditures and may involve considerable effort that may impact the timing of SilverWillow's exploration, production and development activities. However, failure to comply with participant involvement legislation may result in SilverWillow's inability to obtain the necessary licenses and permits required to carry out SilverWillow's exploration and development programs. At the same time, there can be no assurance that SilverWillow will be able to obtain all of the necessary licences and permits required for its exploration and development programs.

### **Exploration Stage of Development**

The Audet Lands, the Birch Mountain Lands and the Other Exploration Lands are at a preliminary stage of evaluation and, as a result of the limited well density, the exploration risks associated with such leases are higher than those historically associated with oil sands opportunities and the value of these leases will be dependent on discovering oil sands deposits with commercial potential.

Given the fact that SilverBirch has not completed its drilling and analysis of core holes in respect of its various exploration leases, any resource estimates may vary from actual in place resources and any such variation may be material. These uncertainties will be reduced as additional core holes are drilled and evaluated and the resource estimates are refined.

### **Oil and Natural Gas Prices**

SilverWillow's financial results will be dependent upon the prevailing price of crude oil and natural gas. Oil prices fluctuate significantly in response to regional, national and global supply and demand factors beyond the control of SilverWillow. Political and economic developments around the world can affect world oil supply and oil prices. Low oil prices could impact the liquidity of the SilverWillow Shares. *In situ* thermal oil sands operations use heat, primarily in the form of steam, to facilitate the bitumen recovery process. Large quantities of natural gas are used in SAGD and cyclic steam stimulation recovery processes and the cost of natural gas represents a significant operating cost in such projects. Natural gas prices fluctuate in response to national and continental North American supply and demand factors beyond the control of SilverWillow. In addition, North American gas producers are actively pursuing alternative markets through liquefied natural gas exports, which could increase the demand for North American natural gas. High natural gas prices could impact SilverWillow's operating costs and financial results.

Any prolonged period of low oil prices could result in a decision by SilverWillow to suspend or reduce the proposed development of the Audet Lands or other oil sands leases in which it owns an interest. Any such suspension or reduction of proposed production would result in a corresponding substantial decrease in SilverWillow's revenues and earnings and could materially impact SilverWillow's ability to meet any future debt servicing obligations and could expose SilverWillow to significant additional expense as a result of any future long-term contracts. If production was not suspended or reduced during such period, the sale of the petroleum products produced at such reduced prices would lower SilverWillow's revenues.

### **Royalty Regime**

In the event that SilverWillow's properties are developed and become operational projects, SilverWillow's revenue and expenses will be directly affected by the royalty regime applicable to the projects. The economic benefit of future capital expenditures for the projects will be, in many cases, dependent on a satisfactory royalty regime. There can be no assurance that the Government of Canada and the Province of Alberta will not adopt a new royalty regime which will make capital expenditures uneconomic or that the regime currently in place will remain unchanged. As the resource owner, the Government of Alberta is entitled to take its royalty share of bitumen production in-kind, as it does currently for conventional oil production. In February 2011, the Government of Alberta announced that it had entered into contracts to commercially upgrade and refine a portion of its bitumen royalty in-kind volumes to higher value products.

For a summary of the current royalty regime in the Province of Alberta, see "Industry Overview – Royalties".

### **Operational Hazards**

The exploration, development, construction and operation of SilverWillow's properties will be subject to the customary hazards of recovering, transporting and processing hydrocarbons, such as fires, explosions, gaseous leaks, migration of harmful substances, blowouts and oil spills. An occurrence of this nature might result in the loss of equipment or life, as well as injury or property damage. The exploration, development, construction or operation of SilverWillow's properties could be interrupted by natural disasters or other events beyond the control of SilverWillow.

In accordance with industry practice, SilverWillow does not expect to be fully insured against all of these risks, nor are all such risks insurable. Although SilverWillow intends to attempt to secure liability insurance in an amount that it considers appropriate, such insurance may not be available and even if available, the nature of these risks is such that liabilities could exceed policy limits, in which event SilverWillow could incur significant costs. Losses resulting from the occurrence of any of these risks could have a material adverse effect on SilverWillow.

Recovering bitumen from oil sands involves particular risks and uncertainties. SilverWillow's projects will be susceptible to loss of production, slowdowns, or restrictions on its ability to produce higher value products due to the interdependence of its component systems. Severe climatic conditions can cause reduced production and in some situations result in higher costs.

### **Government Regulation**

The oil and gas industry in Canada, including the oil sands industry, operates under federal and provincial statutes and regulations governing such matters as land tenure, prices, royalties, production rates, environmental protection controls, the

export of crude oil, natural gas and other products, as well as other matters. The industry is also subject to regulation by governments in such matters as the awarding or acquisition of exploration and production rights, oil sands or other interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields and well sites (including restrictions on production) and possible expropriation or cancellation of lease rights. The regulatory scheme as it relates to oil sands, and the recovery and marketing of bitumen or bitumen by-products from oil sands is somewhat different from that related to conventional oil and gas in general.

Government regulations may be changed from time to time in response to economic or political conditions. The exercise of discretion by governmental authorities under existing statutes or regulations, the implementation of new statutes or regulations or the modification of existing statutes or regulations affecting the crude oil and natural gas industry could impact the markets for crude oil and natural gas, delay or stop the development of SilverWillow's projects, or increase SilverWillow's costs and have a material adverse impact on SilverWillow.

### **Environmental Considerations**

The operations of SilverWillow will be affected in varying degrees by federal and provincial statutes and regulations regarding the protection of the environment. Should there be changes to existing statutes or regulations, SilverWillow's competitive position within the oil sands industry may be adversely affected, as many industry players have greater resources than SilverWillow.

No assurance can be given that future environmental approvals, laws or regulations will not adversely impact SilverWillow's ability to develop and operate its projects or increase or maintain production or will not increase unit costs of production, or to realize other business opportunities from its exploration leases. Equipment from suppliers which can meet future emission standards may not be available on an economic or timely basis and other methods of reducing emissions to required levels in the future may significantly increase operating costs or reduce output. There is a risk that the federal and/or provincial governments could pass legislation which would tax such emissions or require, directly or indirectly, reductions in such emissions produced by energy industry participants, which SilverWillow may be unable to mitigate.

SilverWillow intends to implement programs that support an environmental management system, including impact assessments, audits, compliance, reporting and regulatory updates. It will co-operate fully with the other oil sands developers in an attempt to manage and mitigate cumulative environmental impacts of the oil sands development, including such matters as sharing access roads and utility corridors for infrastructure development.

### **Greenhouse Gases**

Greenhouse gas emissions continue to be a concern of the environmental non-government organizations and the public. The oil sands, like other industries, emit CO<sub>2</sub> which is a by-product from the use of natural gas in generating steam for *in situ* bitumen extraction. Currently, oil sands production accounts for less than five percent of Canada's greenhouse gas emissions. To put this in context, transportation and coal-fired power plants represent 38 percent of Canada's greenhouse gas emissions according to Environment Canada's National Inventory Report dated April 2009. Improvements in the efficiency of the extraction processes in the industry have resulted in a 27 percent reduction in emissions per barrel since 1990.

In June 2007, the Government of Alberta passed the *Climate Change and Emissions Management Act*, S.A. 2003, c. 16.7 (the "**Climate Change and Emissions Management Act**"). The accompanying *Specified Gas Emitters Regulation*, Alta Reg. 19/2007, that applies to companies which emit more than 100,000 tonnes of greenhouse gases per year (equivalent to a 5,000 bbl/d oil sands operation), requires such companies to reduce their greenhouse gas emission intensity by 12 percent over a six-year period beginning July 2007. For new and upcoming projects, the regulations will be phased in, and not start until the fourth year of production for these projects allowing for an emissions baseline to be determined. Year three of production will become the baseline, and the 12 percent reduction target will be phased in at two percent per year.

In the event that a company is not able to meet the targets set forth in the Climate Change and Emissions Management Act, companies have two alternatives: (i) pay Cdn\$15 per tonne for every tonne of greenhouse gas emissions above the 12 percent target; or (ii) invest in Alberta-based projects that reduce or offset emissions on their behalf.

SilverWillow intends to factor the costs of meeting this requirement into its financial and economic models. It is also assessing the costs of ensuring that its oil sands projects are CO<sub>2</sub> capture ready and the associated costs for sequestering such greenhouse gases.

The Government of Canada has concluded that Canada is unable to meet its commitment to the Kyoto Protocol. Notwithstanding this, on March 10, 2008, the Government of Canada released details of a regulatory framework to address greenhouse gas emissions with an expectation that, after consultation, final regulations would be in place by January 1, 2010. On June 12, 2009, details of a proposed offset system for greenhouse gas emissions were published.

On March 31, 2009, the U.S. Government released the draft "American Clean Energy and Security Act of 2009." This has been passed in the House of Representatives and is currently in the committee stage. On September 30, 2009, the draft



"Clean Energy Jobs and American Power Act" was published, proposing somewhat tougher regulation than the forerunner bill.

On January 30, 2010, the Government of Canada announced that it will accept a new national target of a 17 percent reduction from 2005 greenhouse gas emissions by 2020, consistent with the Copenhagen Accord, and aligned with the U.S. target. The Government of Canada has also announced that its specific strategy for achieving this target will be aligned with U.S. government strategies. At this time, there is no indication as to how the new target will be applied to existing oil sands operations or what impact it may have on future development of the oil sands nor its impact on the previously proposed regulatory framework. However, the Government of Canada has stated that it will not allow new greenhouse gas emission regulations to jeopardise the development of the oil sands.

At present, there is no assurance that any new federal government legislation related to reducing greenhouse gas emissions will be aligned or harmonised with Alberta's. In such case, the costs of meeting new federal government requirements could be considerably higher than Alberta's current requirements, with material adverse impacts on SilverWillow's planned operations. Furthermore, such required reductions may not be technically or economically feasible and the failure to meet such emission reduction requirements may materially and adversely affect SilverWillow's business and result in fines, penalties and the suspension of operations.

Mitigation of the risk of future legislative or regulatory limits on the emission of greenhouse gases may include the acquisition of emission reduction or off-set credits from third parties. However, emission reduction or off set credits may not be available for acquisition by SilverWillow or may not be available on an economically viable basis and may not be recognized or qualify under future legislative or regulatory regimes as mitigation for the emission of greenhouse gases by SilverWillow associated operations.

#### **Sales of Additional Securities**

SilverWillow may issue additional SilverWillow Shares or other securities to finance its interest in the Audet Lands, the Birch Mountain Lands and the Other Exploration Lands or certain of SilverWillow's other capital expenditures. The constating documents of SilverWillow permit it to issue an unlimited number of additional SilverWillow Shares and an unlimited number of SilverWillow Preferred Shares. The SilverWillow Board of Directors has discretion to determine the issue price and the terms of issue of SilverWillow Shares. Such future issuances may be dilutive to investors. SilverWillow Shareholders have no pre-emptive rights under SilverWillow's constating documents to participate in any future offerings of securities.

#### **Availability of Credit Facilities and Debt Service**

There can be no assurance that SilverWillow will have access to credit facilities that are (i) large enough to sufficiently finance SilverWillow's capital costs, and (ii) available on commercial terms acceptable to SilverWillow, or at all. In the event that any of the foregoing occurs, SilverWillow may be required to seek additional sources of equity or debt in order to carry out its business plans.

#### **Title Risks**

SilverWillow is satisfied that it will have good and proper right, title and interest in and to the leases that it intends to develop. However, SilverWillow has not obtained title opinions in respect of all of the leases and, accordingly, SilverWillow's ownership of certain leases could be subject to prior unregistered agreements or interests or undetected claims or interests.

#### **Independent Reviews**

Although third parties have prepared reviews, reports and projections relating to the viability and expected performance, it cannot be assured that these reports, reviews and projections and the assumptions on which they are based will, over time, prove to be accurate.

#### **Global Financial Crisis**

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and continued in 2009 and 2010, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. Although economic conditions improved towards the latter portion of 2009 and into 2010 and 2011, these factors have negatively impacted company valuations and may impact the performance of the global economy going forward.

## **Competition**

The Canadian and international petroleum industry is highly competitive in all aspects, including the exploration for, and the development of, new sources of supply, the acquisition of conventional oil and oil sands interests and the distribution and marketing of petroleum products. SilverWillow's projects and exploration leases will compete with other bitumen producers, other producers of SCO blends and other producers of conventional crude oil. Some of the conventional producers have lower operating costs than SilverWillow is anticipated to have. The petroleum industry also competes with other industries in supplying energy, fuel and related products to consumers.

A number of companies other than SilverWillow have announced plans to enter the oil sands business and begin production of bitumen or SCO, or expand existing operations. Expansion of existing operations and development of new projects could materially increase the supply of SCO and other competing crude oil products in the marketplace. Depending on the levels of future demand, increased supply could have a negative impact on prices.

## **Foreign Exchange**

Crude oil prices are generally based on a U.S. dollar market price, while certain operating and capital costs will be primarily in Canadian dollars. Fluctuations in exchange rates between the U.S. and Canadian dollar will therefore give rise to foreign currency exchange exposure. SilverWillow may mitigate the impact of exchange rate fluctuations on the revenue by hedging. There is no assurance that any hedging which may be undertaken by SilverWillow will be successful and, if not successful, could result in a material adverse effect on SilverWillow's financial condition and business.

## **Hedging Risks**

The nature of SilverWillow's operations will result in exposure to fluctuations in commodity prices. SilverWillow may use financial instruments and physical delivery contracts to hedge its exposure to these risks. If SilverWillow engages in hedging it will be exposed to credit related losses in the event of non-performance by counterparties to the financial instruments. Additionally, if product prices increase above those levels specified in any future hedging agreements, SilverWillow could lose the cost of floors or ceilings or a fixed price could limit it from receiving the full benefit of commodity price increases.

SilverWillow may also hedge its exposure to the costs of inputs to the Audet Lands, the Birch Mountain Lands or the Other Exploration Lands. If the prices of these inputs fall below the levels specified in any future hedging agreements, SilverWillow could lose the cost of ceilings or a fixed price could limit it from receiving the full benefit of commodity price decreases.

## **Seasonal Weather Patterns**

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain of the oil sands leases in which SilverWillow will have an interest are inaccessible during certain non-winter months because the access to the sites, and certain areas within the sites, consist of poorly drained terrain. These conditions can affect the ability to conduct exploration and delineation drilling on the lands in which SilverWillow will have an interest.

## **Aboriginal Claims**

The legal framework describing treaty and traditional land rights is becoming more definitive following a number of recent court rulings. Addressing these rights is becoming generally more complex and time consuming, particularly following the release in late 2006 and subsequent revisions of the Government of Alberta Guidelines for Aboriginal Consultation, in which it expects industry to assume a greater responsibility to consult with Aboriginal communities impacted by oil sands exploration and development activities. These requirements can result in time consuming negotiations over compensation for impacting Aboriginal rights. These negotiations could result in slowing of government approvals required to conduct SilverWillow's normal business and result in unplanned project costs.

## **Future Acquisitions**

As part of its growth strategy, SilverWillow expects to continue to evaluate and, where appropriate, pursue acquisitions of additional oil sands leases. Acquisitions of oil sands leases, as well as the exploration and development of land subject to such leases, may require substantial capital or the incurrence of substantial additional indebtedness. Furthermore, the acquisition of any additional oil sands leases may not ultimately increase SilverWillow's discovered resources or result in any production of bitumen. If SilverWillow consummates any future acquisitions of oil sands leases, it may need to change its anticipated capital expenditure programs.

Additionally, such acquisitions may result in SilverWillow's capitalization and results of operations changing significantly. Investors will not have the opportunity to evaluate the economic, financial and other relevant information that SilverWillow will consider in determining the application of its funds and other resources with respect to such acquisitions.

### **No Prior Public Market for the SilverWillow Shares**

There is currently no public market through which the SilverWillow Shares may be sold. SilverWillow has applied to list the SilverWillow Shares on the TSX-V (Tier 2). The TSX-V has conditionally accepted the listing of the SilverWillow Shares. Listing is subject to SilverWillow meeting all of the requirements of the TSX-V and there can be no assurance that the TSX-V will list the SilverWillow Shares. An active and liquid market for the SilverWillow Shares may not develop following the completion of the Arrangement or, if developed, may not be maintained. If an active public market does not develop or is not maintained, investors may have difficulty selling their SilverWillow Shares at any given time at a price that the investor may consider reasonable. The lack of an active market may also reduce the fair market value and increase the volatility of the SilverWillow Shares and may impair SilverWillow's ability to raise capital by selling SilverWillow Shares.

### **REGULATORY ACTIONS**

There have been (i) no penalties or sanctions imposed against SilverWillow by a court relating to provincial and territorial securities legislation or by a securities regulatory authority; (ii) no other penalties or sanctions imposed by a court or regulatory body against SilverWillow; and (iii) no settlement agreements SilverWillow entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

### **LEGAL PROCEEDINGS**

There are no material legal proceedings to which SilverWillow is a party or in respect of which any of the assets of SilverWillow are subject, which is or will be material to SilverWillow, and SilverWillow is not aware of any such proceedings that are contemplated.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as disclosed in the Information Circular or this Appendix, none of the directors or executive officers of SilverWillow or any person or company that owns directly or indirectly, or exercises control or direction over, more than ten percent of the SilverWillow Shares, or any associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any past transaction or any proposed transaction that has materially affected or is reasonably expected to materially affect SilverWillow.

### **EXEMPTIONS**

Pursuant to applicable Securities Laws, SilverWillow is required to include all of the disclosure prescribed by Section 14.2 of Form 51-102F5 – *Information Circular* of National Instrument 51-102 – *Continuous Disclosure Obligations* as it relates to the disclosure requirements (including certain financial statements) set forth in Sections 8.2(1)(a) and (b), 8.2(2), 32.1(b), 32.2 and 32.3(1) of Form 41-101F1 – *Information Required in a Prospectus* of National Instrument 41-101 – *General Prospectus Requirements*. However, SilverWillow has been granted an exemption by the applicable securities regulatory authorities from the requirement to include in the Information Circular: (a) management's discussion and analysis corresponding to each of the financial years ended December 31, 2010, December 31, 2009 and December 31, 2008 and to the nine month periods ended September 30, 2011 and September 30, 2010; (b) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows relating to the Spin-Off Assets for each of the financial years ended December 31, 2010, December 31, 2009 and December 31, 2008 and for the nine month periods ended September 30, 2011 and September 30, 2010; and (c) a statement of financial position relating to the Spin-Off Assets as at December 31, 2010 and December 31, 2009 and as at September 30, 2010.

### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

#### **Auditors**

The auditors of SilverWillow are KPMG LLP, 205 – 5<sup>th</sup> Avenue S.W., Suite 2700, Calgary, Alberta, T2P 4B9. KPMG LLP were appointed as the auditors of SilverWillow on January 5, 2012.

#### **Transfer Agent and Registrar**

Equity Financial Trust Company, at its principal offices in Calgary, Alberta, and in Toronto, Ontario, is the registrar and transfer agent for the SilverWillow Shares.

### **MATERIAL CONTRACTS**

The only contract currently proposed to be entered into by SilverWillow that would materially affect SilverWillow that can reasonably be regarded as material to a proposed investor in the SilverWillow Shares, other than contracts entered into in

the ordinary course of business is the Transfer Agreement. See "General Development of the Business – The Transfer Agreement".

A copy of the current form of Transfer Agreement may be inspected at the principal business office of SilverBirch located at 1500, 202 – 6<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 2R9, during normal business hours from the date of the Information Circular until the completion of the Arrangement.

#### **INTERESTS OF EXPERTS**

Sproule prepared the Sproule Audet Technical Review attached as Schedule D to this Appendix. As at the dates of the Sproule Audet Technical Review the principals of Sproule owned beneficially, directly or indirectly, less than one percent of the outstanding SilverBirch Common Shares. The principals of Sproule will own beneficially, directly or indirectly, less than one percent of the outstanding SilverWillow Shares following completion of the Arrangement. Sproule neither received nor will receive any interest, direct or indirect, in any securities or other property of SilverBirch or its affiliates in connection with the preparation of the Sproule Audet Technical Review.

KPMG LLP are the auditors of SilverWillow and have confirmed that they are independent with respect to SilverWillow in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Certain legal matters relating to the Arrangement are to be passed upon by Blake, Cassels & Graydon LLP and Torys LLP, on behalf of SilverWillow. Based on securityholdings as of the date of the Information Circular, the partners and associates of Blake, Cassels & Graydon LLP will own beneficially, directly or indirectly, less than one percent of the outstanding SilverWillow Shares on the Effective Date and the partners and associates of Torys LLP will own beneficially, directly or indirectly, less than one percent of the outstanding SilverWillow Shares on the Effective Date.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of SilverWillow or of any associate or affiliate of SilverWillow.

**SCHEDULE A – AUDITED STATEMENT OF FINANCIAL POSITION OF  
SILVERWILLOW AS AT JANUARY 5, 2012**



**KPMG LLP**  
**Chartered Accountants**  
2700-205 5 Avenue SW  
Calgary AB T2P 4B9

Telephone (403) 691-8000  
Telefax (403) 691-8008  
Internet www.kpmg.ca

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of SilverWillow Energy Corporation

We have audited the accompanying statement of financial position of SilverWillow Energy Corporation as at January 5, 2012, and notes, comprising other explanatory information (together "the financial statement").

### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with International Financial Reporting Standards relevant to preparing such a financial statement, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statement presents fairly, in all material respects the financial position of SilverWillow Energy Corporation as at January 5, 2012 in accordance with International Financial Reporting Standards relevant to preparing such a financial statement.

**KPMG LLP**

Chartered Accountants  
February 28, 2012  
Calgary, Canada

**SILVERWILLOW ENERGY CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**As at January 5, 2012**

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**ASSETS**

**Current Assets:**

Cash	\$	1
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<b>Total Assets</b>	<b>\$</b>	<b>1</b>
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**SHAREHOLDERS' EQUITY**

**Shareholders' Equity:**

Share capital (note 3)	\$	1
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**Subsequent Event (note 4)**

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<b>Total Shareholders' Equity</b>	<b>\$</b>	<b>1</b>
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See accompanying notes

Signed "*Glen D. Roane*"  
Glen D. Roane  
Director

Signed "*Donald R. Ingram*"  
Donald R. Ingram  
Director

**SILVERWILLOW ENERGY CORPORATION  
NOTES TO FINANCIAL STATEMENT  
JANUARY 5, 2012**

**1. Reporting Entity**

SilverWillow Energy Corporation ("SilverWillow") was incorporated pursuant to the Canada Business Corporations Act on January 5, 2012. SilverWillow's head office is located in Calgary, Alberta, Canada. SilverWillow was incorporated for the sole purpose of participating in the Plan of Arrangement (the "Arrangement") announced January 9, 2012 involving SilverWillow, SilverBirch Energy Corporation ("SilverBirch"), Teck Resources Limited ("Teck") and 8071667 Canada Inc. (the "Purchaser"), which is a subsidiary of Teck. SilverWillow has not carried on any active business other than in connection with the Arrangement and related matters.

**2. Basis of Presentation**

This statement of financial position has been prepared in accordance with International Financial Reporting Standards ("IFRS") relevant to preparing such a financial statement in effect as of February 28, 2012 and is presented in Canadian dollars, SilverWillow's functional currency, on a historical cost basis.

This financial statement was authorized for issue by the Board of Directors on February 28, 2012. .

**3. Share Capital**

Share capital:

Authorized: Unlimited number of common shares

Unlimited number of preferred shares issuable in series, the terms of which may be fixed by the Board of Directors before the issuance thereof

Issued: 1 common share \$ 1

**4. Subsequent Event**

Under the Arrangement, the Purchaser will acquire all of the issued and outstanding common shares of SilverBirch not already owned by it or Teck and pursuant to the Arrangement, SilverBirch shareholders will receive for each SilverBirch common share cash consideration of \$8.50 per share and one common share in a new exploration and development company, SilverWillow. Under the Arrangement, SilverBirch will transfer to SilverWillow and SilverWillow will hold as assets a 100% interest in oil sands leases 418 and 271 (the "Audet Lands"), a 100% interest in oil sands leases 42, 43 and 44, a 100% interest in oil sands leases 469,471,513,514,611,614,615,915 and 003 (the "Birch Mountain Lands"), a 100% interest in oil sands leases 422 and 423 (the "Jordan Lands"), as well as office equipment and leasehold improvements and approximately \$23 million in net working capital, subject to adjustment. Upon completion of the Arrangement, SilverBirch's existing shareholders will own 100% of the SilverWillow shares outstanding proportionate to their ownership of SilverBirch at the time the Arrangement is completed.

The transaction will be completed by way of statutory Plan of Arrangement under the Canada Business Corporations Act. The Arrangement is subject to court approval and must be approved by SilverBirch shareholders at a special meeting expected to be held on March 29, 2012.

In addition, certain indemnities will be granted by SilverWillow to SilverBirch under the terms of the Arrangement, including: (i) indemnification for pre-closing taxes of SilverBirch, the magnitude of which will depend upon the fair value of the assets transferred from SilverBirch; (ii) assumption of the indemnification granted by SilverBirch to UTS Energy Corporation ("UTS") as part of the plan of arrangement between SilverBirch, UTS and Total E&P Canada Ltd., completed on October 1, 2010, regarding the availability of certain tax pools to UTS for taxation years ending on or prior to the effective date of that arrangement, the maximum exposure for which is estimated at \$3 million; and (iii) certain other indemnities relating to possible claims regarding the assets being spun out by SilverBirch to SilverWillow. Full details of the Arrangement, including a proforma statement of financial position of SilverWillow as of September 30, 2011, are included in an information circular, which will be mailed to SilverBirch shareholders prior to the special meeting of SilverBirch shareholders.



SilverBirch has 50,006,031 common shares issued and outstanding as of February 28, 2012. One share of SilverWillow will be issued for each of these issued and outstanding common shares under the Arrangement. In addition, 3,474,000 share purchase options are outstanding, all of which are expected to be exercised as part of the Arrangement. One SilverWillow common share will also be issued in respect of each SilverBirch share purchase option exercised for a SilverBirch common share. Accordingly, a total of 53,480,031 common shares of SilverWillow are expected to be issued and outstanding upon closing of the Arrangement.

The closing of the transaction is subject to the receipt of all court, stock exchange and other regulatory approvals, receipt of the requisite SilverBirch shareholder approvals, no material adverse change having occurred in SilverBirch and other matters customary to transactions of this nature.

**SCHEDULE B – AUDITED SCHEDULE OF EXPLORATION AND  
EVALUATION ASSETS AND PROPERTY AND EQUIPMENT COMPRISED  
IN THE SPIN-OFF ASSETS OF SILVERBIRCH AS AT SEPTEMBER 30, 2011**



**KPMG LLP**  
**Chartered Accountants**  
2700-205 5 Avenue SW  
Calgary AB T2P 4B9

Telephone (403) 691-8000  
Telefax (403) 691-8008  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of SilverBirch Energy Corporation

We have audited the accompanying schedule of exploration and evaluation assets and property and equipment comprised in the spin-off assets of SilverBirch Energy Corporation as at September 30, 2011 and notes, comprising a summary of significant accounting policies and other explanatory information (together "the schedule").

### *Management's Responsibility for the Schedule*

Management of SilverBirch Energy Corporation is responsible for the preparation of the schedule in accordance with the basis of accounting described in note 1 to the schedule, and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the schedule of SilverBirch Energy Corporation as at September 30, 2011 is prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the schedule.

**KPMG LLP**

Chartered Accountants  
February 28, 2012  
Calgary, Canada

**SCHEDULE OF EXPLORATION AND EVALUATION ASSETS AND PROPERTY AND EQUIPMENT  
COMPRISED IN THE SPIN-OFF ASSETS OF SILVERBIRCH ENERGY CORPORATION  
As at September 30, 2011**

(stated in thousands of dollars)

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<b>Exploration and Evaluation Assets</b>	
Oil sands land acquisition and lease rentals	\$21,676
Exploration drilling, geophysical surveys and evaluation	30,101
Capitalized general and administrative costs	1,651
Environmental studies	172
<hr/>	
Total Exploration and Evaluation Assets Comprised in the Spin-Off Assets	53,600
<hr/>	
<b>Property and Equipment</b>	
Cost:	
Office furnishings	312
Leasehold improvements	153
Computer equipment and software	898
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Total cost	1,363
Less: accumulated depreciation	(1,098)
<hr/>	
Total Property and Equipment Comprised in the Spin-Off Assets	265
<hr/>	
Total Exploration and Evaluation Assets and Property and Equipment Comprised in the Spin-Off Assets	\$53,865

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See accompanying notes to schedule.

**NOTES TO SCHEDULE OF EXPLORATION AND EVALUATION ASSETS AND PROPERTY AND EQUIPMENT COMPRISED IN THE SPIN-OFF ASSETS OF SILVERBIRCH ENERGY CORPORATION**  
**As at September 30, 2011**

**1. Basis of Presentation**

The accompanying Schedule of Exploration and Evaluation (“E&E”) Assets and Property and Equipment (“P&E”) Comprised in the Spin-Off Assets of SilverBirch Energy Corporation (“SilverBirch”) as at September 30, 2011 (the “Schedule”) has been prepared for inclusion in the information circular of SilverBirch dated February 28, 2012 relating to the Plan of Arrangement (“Arrangement”) involving SilverBirch, SilverWillow Energy Corporation (“SilverWillow”), Teck Resources Limited (“Teck”) and 8071667 Canada Inc. (“8071667”), a subsidiary of Teck. The Schedule has been prepared by management of SilverBirch pursuant to a decision of provincial securities regulators dated February 16, 2012 on the exemptive relief application made by SilverBirch under Subsection 3.1(c) of National Policy 11-203. The reported amounts of E&E assets and P&E in the Schedule as at September 30, 2011 have been prepared in accordance with International Financial Reporting Standards in effect as of February 28, 2012.

The Schedule has been prepared on a historical cost basis and includes all directly attributable costs incurred with respect to the E&E and P&E which will be transferred to SilverWillow as part of the aforementioned Arrangement (“Spin Off Assets”). The Schedule is intended to provide further information on the Spin Off Assets being reported as E&E assets and P&E on the pro forma statement of financial position of SilverWillow as at September 30, 2011. For greater certainty, this schedule of E&E and P&E does not reflect the 50% working interest of Teck in the Birch Mountain Lands and the Jordan Lands that will be transferred from Teck to SilverBirch and then from SilverBirch to SilverWillow in connection with the completion of the Arrangement.

This schedule was authorized for issue by the Board of Directors of SilverBirch on February 28, 2012.

**2. Significant Accounting Policies**

(a) Exploration and Evaluation Assets

E&E assets comprise costs to acquire non-producing resource properties or licences to explore and the costs associated with exploring for and evaluating the resource potential of these areas. In addition to land and licence acquisition costs, exploratory drilling, sampling and supporting lab work, geological, geophysical and seismic studies, and other directly attributable costs and activities relating to evaluating the technical feasibility and commercial viability of producing the resource base would be included as E&E assets. E&E assets may also include a discounted current estimate of decommissioning costs. Costs incurred prior to obtaining the right to explore are expensed as incurred rather than being capitalized as E&E assets.

E&E assets are not depreciated or depleted since the assets are not currently available for use. Technical feasibility and commercial viability are demonstrated when proved or probable reserves are determined to exist. Once technical feasibility and commercial viability have been shown to exist and the appropriate internal and external approvals have been granted for development, the asset is transferred to P&E. If the asset is not prospective after sufficient work has been done to ascertain that is the case, then the costs associated with the asset will be written off.

(b) Property and Equipment

P&E, comprising office furnishings, leasehold improvements, computer equipment and software, is carried at cost less accumulated depreciation. P&E are depreciated on a straight-line basis over the estimated service lives of the assets.

**SCHEDULE C – UNAUDITED PRO FORMA STATEMENT OF FINANCIAL  
POSITION OF SILVERWILLOW AS AT SEPTEMBER 30, 2011**

**SILVERWILLOW ENERGY CORPORATION**  
**PRO FORMA STATEMENT OF FINANCIAL POSITION**  
**As at September 30, 2011**  
(unaudited)

(stated in thousands of dollars)

	SilverWillow Energy Corporation	Schedule of Exploration and Evaluation Assets and Property and Equipment Comprised in the Spin-Off Assets of SilverBirch Energy Corporation	Pro Forma Adjustment	Note	Pro Forma SilverWillow Energy Corporation
	January 5, 2012 (audited)	September 30, 2011 (audited)		1	September 30, 2011 (unaudited)
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash	\$-	\$ -	\$33,000	2(a)	\$33,000
<b>Total Current Assets</b>	-	-			<b>33,000</b>
Exploration and Evaluation Assets	-	53,600	12,400	2(b)	66,000
Property and Equipment	-	265			265
<b>Total Assets</b>	<b>\$-</b>	<b>\$53,865</b>			<b>\$99,265</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current Liabilities:</b>					
Accounts payable and accrued liabilities	\$-	\$ -	10,000	2(a)	\$10,000
<b>Total Liabilities</b>	-	-			
<b>SHAREHOLDERS' EQUITY</b>					
<b>Shareholders' Equity:</b>					
Share capital	-	53,865	23,000 12,400	2(a) 2(b) 2(c)	89,265
<b>Total Shareholders' Equity</b>	-	-			
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$-</b>	<b>\$53,865</b>			<b>\$99,265</b>

See accompanying notes to pro forma financial statement.



**SILVERWILLOW ENERGY CORPORATION**  
**NOTES TO PRO FORMA STATEMENT OF FINANCIAL POSITION**  
**As at September 30, 2011**  
(Unaudited)

**1. Basis of Presentation**

The accompanying pro forma statement of financial position of SilverWillow Energy Corporation ("SilverWillow") as at September 30, 2011 has been prepared for inclusion in the information circular of SilverBirch Energy Corporation ("SilverBirch") dated February 28, 2012 relating to the Plan of Arrangement ("Arrangement") involving SilverWillow, SilverBirch, Teck Resources Limited. ("Teck") and a subsidiary of Teck, 8071667 Canada Inc. (the "Purchaser"). Under the Arrangement, the Purchaser will acquire all of the issued and outstanding common shares of SilverBirch not already owned by Teck or the Purchaser ("SilverBirch share(s)") and, pursuant to the Arrangement, SilverBirch shareholders will ultimately receive, for each SilverBirch common share, cash consideration of \$8.50 and one common share in SilverWillow ("SilverWillow share(s)"), a new exploration and development company. Under the Arrangement, SilverBirch will transfer to SilverWillow and SilverWillow will hold as assets a 100% interest in oil sands leases 418 and 271 (the "Audet Lands"), a 100% interest in oil sands leases 42, 43 and 44, a 100% interest in oil sands leases 469,471,513,514,611,614,615,915 and 003 (the "Birch Mountain Lands"), a 100% interest in oil sands leases 422 and 423 (the "Jordan Lands"), as well as office equipment and leasehold improvements and approximately \$23 million in working capital, subject to adjustment. Upon completion of the Arrangement, SilverBirch's existing shareholders will own 100% of the SilverWillow shares outstanding proportionate to their ownership of SilverBirch at the time the Arrangement is completed.

The pro forma statement of financial position is prepared by management using accounting policies that are in accordance with International Financial Reporting Standards ("IFRS") to give effect to the aforementioned transaction. Certain assumptions and preliminary estimates have been made by management based on current information, which are subject to change. The pro forma statement of financial position does not purport to be indicative of the financial position of SilverWillow, nor is it necessarily indicative of SilverWillow's future financial position.

The unaudited pro forma statement of financial position as at September 30, 2011 has been prepared from the audited Schedule of Exploration and Evaluation Assets and Property and Equipment Comprised in the Spin-Off Assets of SilverBirch Energy Corporation ("Schedule of E&E assets and P&E") as at September 30, 2011. The reported amounts in the Schedule of E&E assets and P&E have been prepared in accordance with International Financial Reporting Standards in effect as of February 28, 2012. SilverWillow was not incorporated until January 5, 2012 and therefore held no assets nor had issued any shares as of September 30, 2011. The unaudited pro forma statement of financial position of SilverWillow as at September 30, 2011 is therefore intended to illustrate the impact of the pro forma transaction described above as though it had occurred on September 30, 2011 and as though SilverWillow had been incorporated on September 30, 2011.

**2. Pro Forma Assumptions and Adjustments**

Under the Arrangement, for each SilverBirch share held, SilverBirch shareholders will receive \$8.50 in cash consideration and one SilverWillow share. Since the same shareholders will hold the same pro rata portions of the former SilverBirch shares and SilverWillow shares, the assets and liabilities transferred to

SilverWillow from SilverBirch, which do not constitute a business, will be accounted for on a "continuity of interests" basis and recorded in the SilverWillow statement of financial position at the amounts recorded in the SilverBirch statement of financial position at the time of transfer. The Schedule of E&E and P&E represents the carrying amounts in SilverBirch's statement of financial position at September 30, 2011.

The pro forma statement of financial position incorporates the following assumptions and adjustments:

- (a) Under the Arrangement, SilverBirch will transfer an amount of working capital (the "Transferred Working Capital" as defined in the transfer agreement) to SilverWillow. An estimate of the Transferred Working Capital amount was prepared using information available as of February 28, 2012 and an estimated closing date of the transaction of April 4, 2012. This estimate has been used as the basis for the Transferred Working Capital of approximately \$23 million presented in this pro forma statement of financial position comprising \$33 million in cash and \$10 million of current liabilities.

The Arrangement provides for certain indemnities to be granted by SilverWillow to SilverBirch, including: (i) an indemnification for pre-closing taxes of SilverBirch, the magnitude of which will depend upon the fair value of the assets transferred from SilverBirch; (ii) the assumption of the indemnification granted by SilverBirch to UTS Energy Corporation ("UTS") as part of the Plan of Arrangement between SilverBirch, UTS and Total E&P Canada Ltd. regarding the availability of certain tax pools to UTS for taxation years ending on or prior to the effective date of that arrangement, the maximum exposure for which is estimated at \$3 million; and (iii) other indemnities relating to possible claims regarding the assets being spun out by SilverBirch to SilverWillow. None of these potential indemnification liabilities have been accrued in this pro forma statement of financial position as no indemnification claims have been made to date and management is currently unable to determine the likelihood that any amounts will eventually become payable. Based on the fair value of SilverBirch common shares at February 28, 2012, no pre-closing tax liabilities are expected.

- (b) Under the terms of the Arrangement, Teck will transfer to SilverBirch and SilverBirch will then transfer to SilverWillow its 50% interest in the Birch Mountain Lands and the Jordan Lands. The transfer of the Birch Mountain Lands and Jordan Lands from Teck to SilverBirch will be recorded in the SilverBirch statement of financial position at estimated fair value since Teck and SilverBirch are not entities under common control at the time of the transfer. The transfer from SilverBirch to SilverWillow will be recorded by SilverWillow at the amount recorded in the SilverBirch statement of financial position. This transfer will result in SilverWillow owning 100% of the Birch Mountain Lands and Jordan Lands. The preliminary estimate of the fair value of this 50% interest in these lands being transferred is \$12.4 million and is shown as comprising the remaining portion of the exploration and evaluation assets on the pro forma statement of financial position of SilverWillow.
- (c) SilverBirch has 50,006,031 common shares issued and outstanding at February 28, 2012. One share of SilverWillow will be issued for each of these issued and outstanding SilverBirch common shares under the Arrangement. In addition, 3,474,000 share purchase options are outstanding, all of which are expected to be exercised as part of the Arrangement. One SilverWillow common share will also be issued in respect of each SilverBirch share purchase option exercised for a SilverBirch common share. Accordingly, a total of 53,480,031 common shares of SilverWillow are expected to be issued and outstanding upon closing of the Arrangement.

The SilverWillow shares have been measured at an amount equal to the net book value of assets to be transferred from SilverBirch to SilverWillow, including working capital, exploration and evaluation assets, property and equipment and assumed liabilities based on the application of the continuity of interests accounting for the assets to be transferred by SilverBirch including the estimated fair value of the 50% of Birch Mountain Lands and Jordan Lands transferred from Teck to SilverBirch and then to SilverWillow.

**SCHEDULE D – TECHNICAL REVIEW OF THE AUDET LANDS IN THE  
ATHABASCA OIL SANDS REGION OF ALBERTA FOR SILVERBIRCH  
ENERGY CORPORATION AND SILVERWILLOW ENERGY  
CORPORATION (AS OF SEPTEMBER 30, 2011) DATED FEBRUARY 28, 2012**

**TECHNICAL REVIEW  
OF THE AUDET LANDS  
IN THE ATHABASCA OIL SANDS REGION OF ALBERTA  
FOR  
SILVERBIRCH ENERGY CORPORATION  
AND  
SILVERWILLOW ENERGY CORPORATION  
(As of September 30, 2011)**



*Worldwide Petroleum Consultants*

900, 140 Fourth Avenue SW Calgary AB T2P 3N3 Canada | Phone: 1-403-294-5500 | Fax: 1-403-294-5590 | Toll-Free: 1-877-777-6135  
info@sproule.com | www.Sproule.com

Copies: SilverBirch Energy Corporation  
Summary Volume (5 copies)  
Electronic (5 copies)  
Sproule (1 copy)

Project No.: 4175.80241

Prepared For: SilverBirch Energy Corporation and SilverWillow Energy Corporation

Authors: Donald W. Woods, P.Eng., Project Leader  
Matthew Tymchuk, P.Eng.  
Tony Wong, P.Geol.  
Alec Kovaltchouk, P.Geol.

Exclusivity: This report has been prepared for the exclusive use of SilverBirch Energy Corporation and SilverWillow Energy Corporation (a subsidiary of SilverBirch Energy Corporation). It may not be reproduced, distributed, or made available to any other company or person, regulatory body, or organization without the knowledge and written consent of Sproule, and without the complete contents of the report being made available to that party.

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## Introduction

This report consists of a technical review of the Audet Lands in the Athabasca Oil Sands region of Northern Alberta. This report was prepared during January 2012 by Sproule Unconventional Limited ("Sproule") at the request of Mr. Phil Aldred, Vice President, Resources of SilverBirch Energy Corporation (the "Company"). The report was prepared in connection with a proposed plan of arrangement (the "Arrangement") under the *Canada Business Corporations Act*, pursuant to which, among other things, the Audet Lands would be transferred from the Company to SilverWillow Energy Corporation ("SilverWillow"). SilverWillow is currently a wholly-owned subsidiary of the Company. Following the Arrangement, the shareholders of the Company (other than shareholders who validly exercise rights of dissent) would become the shareholders of SilverWillow. The effective date of this report is September 30, 2011, being the cutoff date for the availability of data submitted by the Company to Sproule.

SilverWillow is applying for a Tier 2 listing on the TSX Venture Exchange and this report has been prepared as part of SilverWillow's application.

The Audet Lands interpretation is based on a previous report completed by Sproule. The Bitumen-Initially-In-Place ("BIIP") estimates for Audet Lands are described in detail in the report titled "ESTIMATION OF THE BITUMEN-IN-PLACE VOLUMES OF SILVERBIRCH ENERGY CORPORATION IN THE AUDET AREA, ALBERTA (As of September 30, 2011)"<sup>1</sup> ("Previous Report"). The Audet Lands described in this report and the Audet Area described in the Previous Report refer to the same property.

Numerous core analyses from the property and analogy of the Audet McMurray deposits to other known McMurray producing pools allow the bitumen resources to be classified within the Audet Lands as discovered.

However, Sproule was unable to classify the discovered resources into one of the subcategories because development projects could not be defined for the discovered resource volumes (NI 51-101 clause 5.16(3)(a)). It is yet to be determined what recovery process will be applied in the Audet Lands due to current uncertainty of cap rock integrity. The Company plans to undertake more delineation drilling and mini-frac tests to evaluate the cap rock extent and integrity for steam containment. There is no certainty that it will be commercially viable to produce any portion of those discovered resources.

Sproule carried out these evaluations, audits and reviews in accordance with standards established by the Canadian Securities Administrators ("CSA") within National Instruments

51-101 ("NI 51-101"). This report adheres in all material aspects to the "best practices" recommended in the Canadian Oil and Gas Evaluations Handbook ("COGEH") which are in accordance with the principles and definitions established by the Calgary Chapter of the Society of Petroleum Evaluation Engineers. The COGEH is incorporated by reference in NI 51-101.

This one-volume report contains an Introduction, Summary and Discussion, accompanied by pertinent tables, figures and appendices. The Introduction includes Sproule's disclaimer and pertinent author certificates, the Summary presents a high-level summary of the review, and the Discussion includes our commentary pertaining to the procedures used in the technical review. Appendices A, B, C, and D are contained within this report; they are: "Resource Definitions", "National Instruments 51-101, Disclosure of Resources", "Abbreviations", and "Bibliography", respectively.

The definitions used in this report are those presented in the Canadian Oil and Gas Evaluation Handbook ("COGEH"), which are compliant with the requirements of National Instrument 51-101 ("NI51-101").

## **Disclaimer**

This report has been prepared by qualified evaluators and auditors of Sproule Unconventional Limited, using current geological and engineering knowledge and techniques. It has been prepared within the Code of Ethics of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. Nevertheless, the conclusions presented in this report could be affected by the data received and the procedures used by, as qualified below.

1. Property descriptions, details of interests held, technical and well data obtained from the Company or public sources were accepted as represented. No further investigation was made into either the legal titles held or any agreements in place relating to the subject properties.
2. In the preparation of this report, a field inspection of the holdings was not undertaken. Relevant geological data were made available by the Company or were obtained from either public sources or Sproule's non-confidential files.

The certificates of those evaluators involved in the preparation of this report have been included.



## **Exclusivity**

This report has been prepared for the exclusive use of SilverBirch Energy Corporation and SilverWillow Energy Corporation (a subsidiary of SilverBirch Energy Corporation). It may not be reproduced, distributed, or made available to any other company or person, regulatory body, or organization without the knowledge and written consent of Sproule, and without the complete contents of the report being made available to that party.

## Certification

### Report Preparation

The report entitled "Technical Review of the Audet Lands in the Athabasca Oil Sands Region of Alberta for SilverBirch Energy Corporation and SilverWillow Energy Corporation (As of September 30, 2011)" was prepared by the following Sproule personnel:

Original Signed by Donald W. Woods, P.Eng.

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Donald W. Woods, P.Eng.  
Project Leader;  
Manager, Engineering and Partner  
28 / 02 /2012 dd/mm/yr

Original Signed by Matthew J. Tymchuk, P.Eng.

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Matthew J. Tymchuk, P.Eng.  
Petroleum Engineer  
28 / 02 /2012 dd/mm/yr

Original Signed by Tony Wong, P.Geol.

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Tony Wong, P.Geol.  
Senior Petroleum Geologist and Partner  
28 / 02 /2012 dd/mm/yr

Original Signed by Alec Kovaltchouk, P.Geol.

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Alec Kovaltchouk, P.Geol.  
Manager, Geoscience and Partner  
28 / 02 /2012 dd/mm/yr

## **Sproule Executive Endorsement**

This report has been reviewed and endorsed by the following Executive of Sproule:

Original Signed by Doug W.C. Ho, P.Eng.

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Doug W.C. Ho, P.Eng.  
Vice-President, Engineering and Director  
28 / 02 /2012      dd/mm/yr

## **Permit to Practice**

Sproule Unconventional Limited is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta and our permit number is P10418.

## Certificate

### Donald W. Woods, B.Sc., P. Eng.

I, Donald W. Woods, Manager, Engineering, and Partner of Sproule, 900, 140 Fourth Ave SW, Calgary, Alberta, declare the following:

1. I hold the following degrees:
  - a. B.Ed. (1973) University of Calgary, Calgary AB, Canada
  - b. B.Sc. Chemical Engineering (1980) University of Calgary, Calgary Alberta, Canada
2. I am a registered professional:
  - a. Professional Engineer (P.Eng.) Province of Alberta, Canada
3. I am a member of the following professional organizations:
  - a. Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA)
  - b. Society of Petroleum Engineers (SPE)
  - c. Society of Petroleum Evaluation Engineers (SPEE)
4. I am a qualified reserves evaluator and reserves auditor as defined in National Instrument 51-101.
5. My contribution to the report entitled "Technical Review of the Audet Lands in the Athabasca Oil Sands Region of Alberta for SilverBirch Energy Corporation and SilverWillow Energy Corporation (As of September 30, 2011)" is based on my engineering knowledge and the data provided to me by the Company, from public sources, and from the non-confidential files of Sproule. I did not undertake a field inspection of the properties.
6. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in the above-named report or in the securities of SilverBirch Energy Corporation.

Original Signed by Donald W. Woods, P.Eng.

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Donald W. Woods, P. Eng.

## Certificate

### **Matthew J. Tymchuk, B.Sc., P.Eng.**

I, Matthew J. Tymchuk, P.Eng., Petroleum Engineer of Sproule, 900, 140 Fourth Ave SW, Calgary, Alberta, declare the following:

1. I hold the following degree:
  - a. B.Sc. Mechanical Engineering (2004), University of Alberta, Edmonton AB, Canada
2. I am a registered Professional:
  - a. Professional Engineer (P.Eng.) Province of Alberta, Canada
3. I am a member of the following professional organizations:
  - a. Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA)
  - b. Society of Petroleum Engineers (SPE)
4. I am a qualified reserves evaluator as defined in National Instrument 51-101.
5. My contribution to the report entitled "Technical Review of the Audet Lands in the Athabasca Oil Sands Region of Alberta for SilverBirch Energy Corporation and SilverWillow Energy Corporation (As of September 30, 2011)" is based on my engineering knowledge and the data provided to me by the Company, from public sources, and from the non-confidential files of Sproule. I did not undertake a field inspection of the properties.
6. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in the above-named report or in the securities of SilverBirch Energy Corporation.

Original Signed by Matthew J. Tymchuk, P.Eng.

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Matthew J. Tymchuk, P.Eng.

## Certificate

### Tony Wong, B.Sc., P.Geol.

I, Tony Wong, Senior Petroleum Geologist, and Partner of Sproule, 900, 140 Fourth Ave SW, Calgary, Alberta, declare the following:

1. I hold the following degrees:
  - a. B.Sc. Geology (1978), University of Calgary, Calgary AB, Canada
2. I am a registered professional:
  - a. Professional Geologist (P.Geol.) Province of Alberta, Canada
3. I am a member of the following professional organizations:
  - a. Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA)
  - b. Canadian Society of Petroleum Geologists (CSPG)
  - c. Canadian Well Logging Society (CWLS)
4. I am a qualified reserves evaluator and reserves auditor as defined in National Instrument 51-101.
5. My contribution to the report entitled "Technical Review of the Audet Lands in the Athabasca Oil Sands Region of Alberta for SilverBirch Energy Corporation and SilverWillow Energy Corporation (As of September 30, 2011)" is based on my geological knowledge and the data provided to me by the Company, from public sources, and from the non-confidential files of Sproule. I did not undertake a field inspection of the properties.
6. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in the above-named report or in the securities of SilverBirch Energy Corporation.

Original Signed by Tony Wong, P.Geol.

---

Tony Wong, P.Geol.

## Certificate

### Alec Kovaltchouk, M.Sc., P.Geol.

I, Alec Kovaltchouk, Manager, Geoscience and Partner of Sproule, 900, 140 Fourth Ave. SW, Calgary, Alberta, declare the following:

1. I hold the following degree:
  - a. M.Sc. Geochemistry (1981) University of Lviv, Lviv, Ukraine
2. I am a registered professional:
  - a. Professional Geologist (P.Geol.), Province of Alberta, Canada
3. I am a member of the following professional organizations:
  - a. Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA)
  - b. Canadian Society of Petroleum Geologists (CSPG)
4. I am a qualified reserves evaluator and reserves auditor as defined in National Instrument 51-101.
5. My contribution to the report entitled "Technical Review of the Audet Lands in the Athabasca Oil Sands Region of Alberta for SilverBirch Energy Corporation and SilverWillow Energy Corporation (As of September 30, 2011)" is based on my geological knowledge and the data provided to me by the Company, from public sources, and from the non-confidential files of Sproule. I did not undertake a field inspection of the properties.
6. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in the above-named report or in the securities of SilverBirch Energy Corporation.

Original Signed by Alec Kovaltchouk, P.Geol.

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Alec Kovaltchouk, P.Geol.

## Certificate

### **Doug W.C. Ho, B.A.Sc., P.Eng.**

I, Doug W. C. Ho, Vice-President, Engineering, and Director of Sproule, 900, 140 Fourth Ave. SW, Calgary, Alberta, declare the following:

1. I hold the following degree:
  - a. B.A.Sc. Chemical Engineering (1980) University of Toronto, Toronto, Ontario, Canada
2. I am a registered professional:
  - a. Professional Engineer (P.Eng.) Province of Alberta, Canada
3. I am a member of the following professional organizations:
  - a. Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA)
  - b. Society of Petroleum Engineers (SPE)
4. I am a qualified reserves evaluator and reserves auditor as defined in National Instrument 51-101.
5. My contribution to the report entitled "Technical Review of the Audet Lands in the Athabasca Oil Sands Region of Alberta for SilverBirch Energy Corporation and SilverWillow Energy Corporation (As of September 30, 2011)" is based on my engineering knowledge and the data provided to me by the Company, from public sources, and from the non-confidential files of Sproule. I did not undertake a field inspection of the properties.
6. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in the above-named report or in the securities of SilverBirch Energy Corporation.

Original Signed by Doug W.C. Ho, P.Eng.

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Doug W.C. Ho, P.Eng.



## Summary

Sproule Unconventional Limited (“Sproule”) has reviewed the Bitumen-Initially-In-Place (“BIIP”) estimates in the Audet Lands of SilverBirch Energy Corporation (“the Company”) as of September 30, 2011. The Audet Lands interpretation is based on previous reports completed by Sproule. The BIIP estimates for the Audet Lands are described in detail in the report titled “ESTIMATION OF THE BITUMEN-IN-PLACE VOLUMES OF SILVERBIRCH ENERGY CORPORATION IN THE AUDET AREA, ALBERTA (As of September 30, 2011)”, and are available through SEDAR. The Audet Lands described in this report and the Audet Area described in the Previous Report refer to the same property.

Between the effective date of the Previous Report, September 30, 2011, and February 28, 2012, SilverBirch conducted a winter drilling program to drill and core an estimated 40 evaluation wells in the Audet Lands. The data from these wells is not yet available for interpretation. Therefore the estimates as of February 28, 2012 are unchanged from the September 30, 2011 estimates.

This report is based on Sproule’s interpretation of technical data including geological maps, well logs and cross-sections, engineering data and other information obtained from the Company, publications, public data, or data from Sproule’s non-confidential files and Sproule’s knowledge of oil sands in-situ operations in this general area of Alberta. The bitumen resources data evaluated herein have, in all material respects, been estimated and presented in accordance with COGEH guidelines.

Numerous core analyses from the property and analogy of the Audet Lands McMurray deposits to other known McMurray producing pools allow the bitumen resources to be classified within the Audet Lands as discovered.

However, Sproule was unable to classify the discovered resources into one of the subcategories because development projects could not be defined for the discovered resource volumes (NI 51-101 clause 5.16(3)(a)). It is yet to be determined what recovery process will be applied in the Audet Lands due to current uncertainty of cap rock integrity. The Company plans to undertake more delineation drilling and mini-frac tests to evaluate the cap rock extent and integrity for steam containment. There is no certainty that it will be commercially viable to produce any portion of those discovered resources.

As a result of this assessment, Sproule has estimated Discovered Bitumen-Initially-In-Place (bitumen-in-place) resource to be about 1,689.6 million barrels, of which about 1,646.8

million barrels (97.5%) are within the “bitumen” zone (where the bitumen saturation is greater than 50 percent), and about 42.8 million barrels (2.5%) are within the top “lean” zone (where the bitumen saturation is between 25 and 50 percent).

## Discussion

A detailed discussion of the geological setting, geological methodology, petrophysical analysis, and geological modeling is described in the Previous Report. The Previous Report can be viewed through SEDAR.

### ***Land***

The Company's oil sands leases at Audet are located in the Athabasca region of northeast Alberta, within the "fairway" of bitumen deposits. The Company owns the oil sands rights to the entire Township 98 Range 3 west of the Fourth Meridian.

### ***Geological Assessment***

The main target is a bitumen reservoir in the Lower Cretaceous McMurray Formation, the lowermost units of the Mannville Group. It is found at varying depths throughout the study area. The McMurray Formation makes up the largest bitumen resource in the Athabasca region.

These discovered PIIP volumes are Sproule's best estimates based on existing delineation well control. Well log and core data from the wells drilled within the mapped pool area with relatively higher drilling density located in sections 7 to 10-98-3W4, sections 16 to 20-98-3W4 and sections 29 to 32-98-3W4 indicate that the McMurray reservoir sands have consistent high bitumen saturation and permeability. Significant changes in the PIIP estimate are not anticipated in these areas. However, those areas with lower drilling density, or which are in the vicinity of the interpreted Pleistocene Channel in sections 1, 3, 4, 5, 6, 11, 14, 15, 21, 22 and 28-98-3W4, may be subject to future PIIP revisions, which could result in either increases or decreases to the PIIP estimate in these areas.

### ***Proposed Work Program***

The Company has provided the following work plan for the 12 month period commencing Q2, 2012. Pending the Arrangement, this plan is expected to be executed by SilverWillow. In addition, the Company has provided the ongoing Q1, 2012 winter work plan which is being carried out by SilverBirch. Sproule has reviewed this work plan to determine whether it is a reasonable and prudent program to further evaluate the Audet Lands during the above 12 month period.

Q1 2012: (To Be Executed By SilverBirch)

- Delineate a prospective area within the Audet Lands by drilling and coring an estimated 40 evaluation wells to support a SAGD pilot project and, ultimately, a commercial scale development project
- Complete additional geotechnical testing and analysis to evaluate the cap rock integrity within the prospective project area, including mini-frac tests and laboratory testing of core samples for geomechanical properties
- Complete an initial hydrogeological assessment of the area with respect to possible water source and disposal options necessary to support a project
- Conduct a 2D seismic field acquisition program within the prospective project area
- Conduct a shallow geotechnical survey for preliminary site investigations

Q2 - Q3 2012: (To Be Executed By SilverWillow)

- Laboratory analysis of recovered core samples for reservoir characterization and geomechanical properties
- Laboratory analysis of the shallow geotechnical samples, and technical report for the preliminary site investigations
- Evaluate the hydrogeological data and complete a technical report for water source and disposal options
- Process and interpret the field seismic data

Q2 2012 – Q1 2013 (To Be Executed By SilverWillow)

- Engineering studies for design of a 10,000bbl/d pilot plant, including infrastructure, access, utilities and employee housing
- Conduct environmental baseline studies, and an Environmental Assessment
- Preparation and submission of a regulatory application for a SAGD pilot project

Q3 - Q4 2012 (To Be Executed By SilverWillow)

- Complete an independent resource evaluation
- Conduct a reservoir and geomechanical simulation to evaluate the thermal expansion and resulting stress fields associated with a SAGD project and to estimate the maximum SAGD operating pressure
- Design of well configuration and well pad layout for the initial stage of the pilot

Ongoing (SilverWillow)

- Stakeholder consultation and communication

The major components and the anticipated total cost of the proposed work program commencing Q2, 2012 are presented in Table 1.

<b>Table 1</b>		
<b>SilverBirch Energy Corporation</b>		
<b>Anticipated Total Cost of Q2,2012 to Q1,2013 Audet Lands Work Program</b>		
<b>Scope of Work</b>	<b>Estimated Cost Cdn\$MM</b>	
	<b>2012 (Q2-Q4)</b>	<b>2013 (Q1)</b>
Evaluation of Results from the Q1, 2012 Winter Program and Completion of Technical Reports for Cap Rock Integrity, Hydrogeological Investigations, Preliminary Site Geotechnical Investigations, and Resource Evaluation	1.5	
Engineering Studies and Design of a 10,000bbl/d pilot plant	3.0	1.0
Design Well Configuration and Well Pad for Initial Stage of Pilot	1.0	
Environmental Studies, Preparation of Regulatory Application and Address Supplemental Information Requests and Stakeholder Consultation	2.0	1.0
<b>Total Cost</b>	<b>7.5</b>	<b>2.0</b>

The total estimated cost totaling \$9.5 million does not include past expenditures for drilling and resource delineation or allocated General and Administrative expenses. An estimated \$29.0 million has been budgeted for the Q1, 2012 winter work program. \$28.0 million would be spent by the end of Q1, 2012, with \$1.0 million to be incurred after Q1, 2012.

Sroule has reviewed this work program and in our opinion it is a reasonable and prudent approach to the possible development of these bitumen volumes. Sroule has accepted the Company's cost estimates for the proposed program.

### **Concerns and Risks**

The primary risk to the project is the unknown integrity of the cap rock. It is Sroule's opinion that the testing and analysis of said caprock in 2012 is a reasonable and prudent approach. That said, if the cap rock integrity does not meet the requirement of steam containment for a SAGD project, alternate recovery methods would be required to exploit the in place bitumen volumes. No such methods have yet been proposed.

## Appendix A – Resource Definitions

This discussion has been excerpted from Sections 5.2 and 5.3 of the Canadian Oil and Gas Evaluation Handbook, Second Edition, September 1, 2007.

The following definitions relate to the subdivisions in the SPE-PRMS resources classification framework and use the primary nomenclature and concepts contained in the 2007 SPE-PRMS, with direct excerpts shown in italics.

*Total Petroleum Initially-In-Place (PIIP) is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered (equivalent to "total resources").*

*Discovered Petroleum Initially-In-Place (equivalent to discovered resources) is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially in place includes production, reserves, and contingent resources; the remainder is unrecoverable.*

*Production is the cumulative quantity of petroleum that has been recovered at a given date.*

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are further classified according to the level of certainty associated with the estimates and may be subclassified based on development and production status.

*Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more*

contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. *Contingent Resources are further classified in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by their economic status.*

*Unrecoverable is that portion of Discovered or Undiscovered PIIP quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.*

*Undiscovered Petroleum Initially-In-Place (equivalent to undiscovered resources) is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially in place is referred to as “prospective resources,” the remainder as “unrecoverable.”*

*Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be subclassified based on project maturity.*

## **Resource Categories**

Due to the high uncertainty in estimating resources, evaluations of these assets require some type of probabilistic methodology. Expected value concepts and decision tree analyses are routine; however, in high-risk, high-reward projects, Monte Carlo simulation can be used. In any event, three success cases plus a failure case should be included in the evaluation of the resources (see Section 9 of the Canadian Oil and Gas Evaluation Handbook for details on these methods).

### a. Classification of Resources

When evaluating resources, in particular, contingent and prospective resources, the following mutually exclusive categories are recommended:

- **Low Estimate:** This is considered to be a conservative estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term reflects a P<sub>90</sub> confidence level.
- **Best Estimate:** This is considered to be the best estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term is a measure of central tendency of the uncertainty distribution (most likely/mode, P<sub>50</sub>/median, or arithmetic average/mean).
- **High Estimate:** This is considered to be an optimistic estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term reflects a P<sub>10</sub> confidence level.

**Company Gross Contingent Resources** are the Company's working interest share of the contingent resources, before deduction of any royalties.

**Company Net Contingent Resources** are the gross contingent resources of the properties in which the Company has an interest, less all Crown, freehold, and overriding royalties and interests owned by others.

**Fair Market Value** is defined as the price at which a purchaser seeking an economic and commercial return on investment would be willing to buy, and a vendor would be willing to sell, where neither is under compulsion to buy or sell and both are competent and have reasonable knowledge of the facts.



## Appendix B – National Instrument 51-101, Disclosure of Resources

The following text has been excerpted from Sections 5.9 and 5.10 of National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities, effective December 30, 2010.

### 5.9 Disclosure of Resources Other than Reserves

- (1) If a *reporting issuer* discloses *anticipated results* from *resources* which are not currently classified as *reserves*, the *reporting issuer* must also disclose in writing, in the same document or in a *supporting filing*:
  - (a) the *reporting issuer's* interest in the *resources*;
  - (b) the location of the *resources*;
  - (c) the *product types* reasonably expected;
  - (d) the risks and the level of uncertainty associated with recovery of the *resources*; and
  - (e) in the case of *unproved property*, if its value is disclosed,
    - (i) the basis of the calculation of its value; and
    - (ii) whether the value was prepared by an *independent party*.
- (2) If disclosure referred to in subsection (1) includes an estimate of a quantity of *resources* in which the *reporting issuer* has an interest or intends to acquire an interest, or an estimated value attributable to an estimated quantity, the estimate must
  - (a) have been prepared or audited by a *qualified reserves evaluator or auditor*;
  - (b) have been prepared or audited in accordance with the *COGE Handbook*;
  - (c) be classified in the most specific category of *resources* other than reserves, as required by section 5.3; and
  - (d) be accompanied by the following information:

- (i) a definition of the *resources* category used for the estimate;
- (ii) the *effective date* of the estimate;
- (iii) the significant positive and negative factors relevant to the estimate;
- (iv) in respect of *contingent resources*, the specific contingencies which prevent the classification of the *resources* as *reserves*; and
- (v) a cautionary statement that is proximate to the estimate to the effect that:

(A) in the case of *discovered resources* or a subcategory of *discovered resources* other than *reserves*: "There is no certainty that it will be commercially viable to produce any portion of the resources."; or

(B) in the case of *undiscovered resources* or a subcategory of *undiscovered resources*: "There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources."

- (3) Paragraphs (1)(d) and (e) and subparagraphs (2)(c)(iii) and (iv) do not apply if:
  - (a) the *reporting issuer* includes in the written disclosure a reference to the title and date of a previously filed document that complies with those requirements; and
  - (b) the *resources* in the written disclosure, taking into account the specific *properties* and interests reflected in the *resources* estimate or other *anticipated result*, are *materially* the same *resources* addressed in the previously filed document.

### **5.10 Analogous Information**

- (1) Sections 5.2, 5.3, 5.9 and 5.16 do not apply to the disclosure of *analogous information* provided that the *reporting issuer* discloses the following:
  - (a) the source and date of the *analogous information*;
  - (b) whether the source of the *analogous information* was *independent*;

- (c) if the *reporting issuer* is unable to confirm that the *analogous information* was prepared by a *qualified reserves evaluator or auditor* or in accordance with the *COGE Handbook*, a cautionary statement to that effect proximate to the disclosure of the *analogous information*; and
  - (d) the relevance of the *analogous information* to the *reporting issuer's oil and gas activities*.
- (2) For greater certainty, if a *reporting issuer* discloses information that is an *anticipated result*, an estimate of a quantity of *reserves* or *resources*, or an estimate of value attributable to an estimated quantity of *reserves* or *resources* for an area in which it has an interest or intends to acquire an interest, that is based on an extrapolation from *analogous information*, sections 5.2, 5.3, 5.9 and 5.16 apply to the disclosure of the information.

## Appendix C — Abbreviations

This appendix contains a list of abbreviations that may be found in Sproule reports, as well as a table comparing Imperial and Metric units. Two conversion tables, used to prepare this report, are also provided.

AOF	absolute open flow
ARTC	Alberta Royalty Tax Credit
BOE	barrels of oil equivalent
bopd	barrels of oil per day
bwpd	barrels of water per day
Cr	Crown
DCQ	daily contract quantity
DSU	drilling spacing unit
FH	Freehold
GCA	gas cost allowance
GOR	gas-oil ratio
GORR	gross overriding royalty
LPG	liquid petroleum gas
McfGE	thousands of cubic feet of gas equivalent
Mcfpd	thousands of cubic feet per day
MPR	maximum permissive rate
MRL	maximum rate limitation
NC	'new' Crown
NCI	net carried interest
NGL	natural gas liquids
NORR	net overriding royalty
NPI	net profits interest
OC	'old' Crown
ORRI	overriding royalty interest
P&NG	petroleum and natural gas
PSU	production spacing unit
PVT	pressure-volume-temperature
TCGSL	TransCanada Gas Services Limited
UOCR	Unit Operating Cost Rates for operating gas cost allowance
WI	working interest

Imperial Units			Metric Units	
M (10 <sup>3</sup> )	one thousand	<b>Prefixes</b>	k (10 <sup>3</sup> )	one thousand
MM (10 <sup>6</sup> )	million		M (10 <sup>6</sup> )	million
B (10 <sup>9</sup> )	one billion		G (10 <sup>9</sup> )	one billion
T (10 <sup>12</sup> )	one trillion		T (10 <sup>12</sup> )	one trillion
			E (10 <sup>18</sup> )	one milliard
in.	inches	<b>Length</b>	cm	centimetres
ft	feet		m	metres
mi	mile		km	kilometres
ft <sup>2</sup>	square feet	<b>Area</b>	m <sup>2</sup>	square metres
ac	acres		ha	hectares
cf or ft <sup>3</sup>	cubic feet	<b>Volume</b>	m <sup>3</sup>	cubic metres
scf	standard cubic feet		L	litres
gal	gallons			
Mcf	thousand cubic feet			
Mcfpd	thousand cubic feet per day			
MMcf	million cubic feet			
MMcfpd	million cubic feet per day			
Bcf	billion cubic feet (10 <sup>9</sup> )			
bbl	barrels		m <sup>3</sup>	cubic metre
Mbbl	thousand barrels			
stb	stock tank barrel		stm <sup>3</sup>	stock tank cubic metres
bbl/d	barrels per day		m <sup>3</sup> /d	cubic metre per day
bbl/mo	barrels per month			
Btu	British thermal units	<b>Energy</b>	J	joules
			MJ/m <sup>3</sup>	megajoules per cubic metre (10 <sup>6</sup> )
			TJ/d	terajoule per day (10 <sup>12</sup> )
oz	ounce	<b>Mass</b>	g	gram
lb	pounds		kg	kilograms
ton	ton		t	tonne
lt	long tons			
Mlt	thousand long tons			
psi	pounds per square inch	<b>Pressure</b>	Pa	pascals
psia	pounds per square inch absolute		kPa	kilopascals (10 <sup>3</sup> )
psig	pounds per square inch gauge			
°F	degrees Fahrenheit	<b>Temperature</b>	°C	degrees Celsius
°R	degrees Rankine		K	Kelvin
M\$	thousand dollars	<b>Dollars</b>	k\$	thousand dollars

Imperial Units		Time	Metric Units	
sec	second		s	second
min	minute	min	minute	
hr	hour	h	hour	
day	day	d	day	
wk	week		week	
mo	month		month	
yr	year	a	annum	

<b>Conversion Factors — Metric to Imperial</b>		
cubic metres (m <sup>3</sup> ) (@ 15°C)	x 6.29010	= barrels (bbl) (@ 60°F), water
m <sup>3</sup> (@ 15°C)	x 6.3300	= bbl (@ 60°F), Ethane
m <sup>3</sup> (@ 15°C)	x 6.30001	= bbl (@ 60°F), Propane
m <sup>3</sup> (@ 15°C)	x 6.29683	= bbl (@ 60°F), Butanes
m <sup>3</sup> (@ 15°C)	x 6.29287	= bbl (@ 60°F), oil, Pentanes Plus
m <sup>3</sup> (@ 101.325 kPaa, 15°C)	x 0.0354937	= thousands of cubic feet (Mcf) (@ 14.65 psia, 60°F)
1,000 cubic metres (10 <sup>3</sup> m <sup>3</sup> ) (@ 101.325 kPaa, 15°C)	x 35.49373	= Mcf (@ 14.65 psia, 60°F)
hectares (ha)	x 2.4710541	= acres
1,000 square metres (10 <sup>3</sup> m <sup>2</sup> )	x 0.2471054	= acres
10,000 cubic metres (ha·m)	x 8.107133	= acre feet (ac-ft)
m <sup>3</sup> /10 <sup>3</sup> m <sup>3</sup> (@ 101.325 kPaa, 15° C)	x 0.0437809	= Mcf/Ac.ft. (@ 14.65 psia, 60°F)
joules (j)	x 0.000948213	= Btu
megajoules per cubic metre (MJ/m <sup>3</sup> ) (@ 101.325 kPaa, 15°C)	x 26.714952	= British thermal units per standard cubic foot (Btu/scf) (@ 14.65 psia, 60°F)
dollars per gigajoule (\$/GJ)	x 1.054615	= \$/Mcf (1,000 Btu gas)
metres (m)	x 3.28084	= feet (ft)
kilometres (km)	x 0.6213712	= miles (mi)
dollars per 1,000 cubic metres (\$/10 <sup>3</sup> m <sup>3</sup> ) (\$/10 <sup>3</sup> m <sup>3</sup> )	x 0.0288951 x 0.02817399	= dollars per thousand cubic feet (\$/Mcf) (@ 15.025 psia) B.C. = \$/Mcf (@ 14.65 psia) Alta.
dollars per cubic metre (\$/m <sup>3</sup> )	x 0.158910	= dollars per barrel (\$/bbl)
gas/oil ratio (GOR) (m <sup>3</sup> /m <sup>3</sup> )	x 5.640309	= GOR (scf/bbl)
kilowatts (kW)	x 1.341022	= horsepower
kilopascals (kPa)	x 0.145038	= psi
tonnes (t)	x 0.9842064	= long tons (LT)
kilograms (kg)	x 2.204624	= pounds (lb)
litres (L)	x 0.2199692	= gallons (Imperial)
litres (L)	x 0.264172	= gallons (U.S.)
cubic metres per million cubic metres (m <sup>3</sup> /10 <sup>6</sup> m <sup>3</sup> ) (C <sub>3</sub> )	x 0.177496	= barrels per million cubic feet (bbl/MMcf) (@ 14.65 psia)
m <sup>3</sup> /10 <sup>6</sup> m <sup>3</sup> (C <sub>4</sub> )	x 0.1774069	= bbl/MMcf (@ 14.65 psia)
m <sup>3</sup> /10 <sup>6</sup> m <sup>3</sup> (C <sub>5+</sub> )	x 0.1772953	= bbl/MMcf (@ 14.65 psia)
tonnes per million cubic metres (t/10 <sup>6</sup> m <sup>3</sup> ) (sulphur)	x 0.0277290	= LT/MMcf (@ 14.65 psia)
millilitres per cubic meter (mL/m <sup>3</sup> ) (C <sub>5+</sub> )	x 0.0061974	= gallons (Imperial) per thousand cubic feet (gal (Imp)/Mcf)
(mL/m <sup>3</sup> ) (C <sub>5+</sub> )	x 0.0074428	= gallons (U.S.) per thousand cubic feet (gal (U.S.)/Mcf)
Kelvin (K)	x 1.8	= degrees Rankine (°R)
millipascal seconds (mPa·s)	x 1.0	= centipoise

<b>Conversion Factors — Imperial to Metric</b>		
barrels (bbl) (@ 60°F)	x 0.15898	= cubic metres (m <sup>3</sup> ) (@ 15°C), water
bbl (@ 60°F)	x 0.15798	= m <sup>3</sup> (@ 15°C), Ethane
bbl (@ 60°F)	x 0.15873	= m <sup>3</sup> (@ 15°C), Propane
bbl (@ 60°F)	x 0.15881	= m <sup>3</sup> (@ 15°C), Butanes
bbl (@ 60°F)	x 0.15891	= m <sup>3</sup> (@ 15°C), oil, Pentanes Plus
thousands of cubic feet (Mcf) (@ 14.65 psia, 60°F)	x 28.17399	= m <sup>3</sup> (@ 101.325 kPaa, 15°C)
Mcf (@ 14.65 psia, 60°F)	x 0.02817399	= 1,000 cubic metres (10 <sup>3</sup> m <sup>3</sup> ) (@ 101.325 kPaa, 15°C)
acres	x 0.4046856	= hectares (ha)
acres	x 4.046856	= 1,000 square metres (10 <sup>3</sup> m <sup>2</sup> )
acre feet (ac-ft)	x 0.123348	= 10,000 cubic metres (10 <sup>4</sup> m <sup>3</sup> ) (ha·m)
Mcf/ac-ft (@ 14.65 psia, 60°F)	x 22.841028	= 10 <sup>3</sup> m <sup>3</sup> /m <sup>3</sup> (@ 101.325 kPaa, 15°C)
Btu	x 1054.615	= joules (J)
British thermal units per standard cubic foot (Btu/Scf) (@ 14.65 psia, 60°F)	x 0.03743222	= megajoules per cubic metre (MJ/m <sup>3</sup> ) (@ 101.325 kPaa, 15°C)
\$/Mcf (1,000 Btu gas)	x 0.9482133	= dollars per gigajoule (\$/GJ)
\$/Mcf (@ 14.65 psia, 60°F) Alta.	x 35.49373	= \$/10 <sup>3</sup> m <sup>3</sup> (@ 101.325 kPaa, 15°C)
\$/Mcf (@ 15.025 psia, 60°F), B.C.	x 34.607860	= \$/10 <sup>3</sup> m <sup>3</sup> (@ 101.325 kPaa, 15°C)
feet (ft)	x 0.3048	= metres (m)
miles (mi)	x 1.609344	= kilometres (km)
\$/bbl	x 6.29287	= \$/m <sup>3</sup> (average for 30°-50° API)
GOR (scf/bbl)	x 0.177295	= gas/oil ratio (GOR) (m <sup>3</sup> /m <sup>3</sup> )
horsepower	x 0.7456999	= kilowatts (kW)
psi	x 6.894757	= kilopascals (kPa)
long tons (LT)	x 1.016047	= tonnes (t)
pounds (lb)	x 0.453592	= kilograms (kg)
gallons (Imperial)	x 4.54609	= litres (L) (.001 m <sup>3</sup> )
gallons (U.S.)	x 3.785412	= litres (L) (.001 m <sup>3</sup> )
barrels per million cubic feet (bbl/MMcf) (@ 14.65 psia) (C <sub>3</sub> )	x 5.6339198	= cubic metres per million cubic metres (m <sup>3</sup> /10 <sup>6</sup> m <sup>3</sup> )
bbl/MMcf (C <sub>4</sub> )	x 5.6367593	= (m <sup>3</sup> /10 <sup>6</sup> m <sup>3</sup> )
bbl/MMcf (C <sub>5+</sub> )	x 5.6403087	= (m <sup>3</sup> /10 <sup>6</sup> m <sup>3</sup> )
LT/MMcf (sulphur)	x 36.063298	= tonnes per million cubic metres (t/10 <sup>6</sup> m <sup>3</sup> )
gallons (Imperial) per thousand cubic feet (gal (Imp)/Mcf) (C <sub>5+</sub> )	x 161.3577	= millilitres per cubic meter (mL/m <sup>3</sup> )
gallons (U.S.) per thousand cubic feet (gal (U.S.)/Mcf) (C <sub>5+</sub> )	x 134.3584	= (mL/m <sup>3</sup> )
degrees Rankine (°R)	x 0.555556	= Kelvin (K)
centipoises	x 1.0	= millipascal seconds (mPa·s)



## **Appendix D – Bibliography**

1. "*Estimation of the Bitumen-In-Place Volumes of SilverBirch Energy Corporation in the Audet Area, Alberta (As of September 30, 2011)*", Sproule Unconventional Limited, October 11, 2011, <http://www.sedar.com/>

**APPENDIX H – SILVERWILLOW STOCK OPTION PLAN**

## SILVERWILLOW ENERGY CORPORATION

### STOCK OPTION PLAN

Effective [●], 2012

#### 1. PURPOSE OF PLAN

- 1.1 The purpose of the Plan is to assist directors, executive officers, consultants and employees of SilverWillow Energy Corporation (the "**Corporation**") and its subsidiaries to participate in the growth and development of the Corporation by providing such persons with the opportunity, through options to acquire common shares of the Corporation ("**Common Shares**"), to acquire an increased proprietary interest in the Corporation that will be aligned with the interests of the shareholders of the Corporation.

#### 2. DEFINED TERMS

In the Plan, the following terms shall have the following meanings, respectively:

- 2.1 "**ASA**" means the *Securities Act* (Alberta), as amended from time to time, including the regulations promulgated thereunder.
- 2.2 "**associate**" has the same meaning as found in the ASA.
- 2.3 "**Blackout Expiry Date**" has the meaning ascribed thereto in Section 5.10.
- 2.4 "**Blackout Period**" means a period of time during which the Optionee cannot exercise an Option, or sell the Common Shares issuable pursuant to an exercise of Options, due to applicable policies of the Corporation in respect of insider trading.
- 2.5 "**Board**" means the board of directors of the Corporation, or, if established and duly authorized to act with respect to this Plan, any committee of the board of directors of the Corporation.
- 2.6 "**Business Day**" means any day, other than a Saturday, Sunday or a statutory holiday, on which Canadian chartered banks are open for business in Calgary, Alberta, and, if the Common Shares are listed on an Exchange, the Exchange is open for trading.
- 2.7 "**Change of Control**" means:
- (a) the completion of a "take-over bid" (as defined in the ASA, as amended, or any successor legislation thereto) pursuant to which the "offeror" (as defined in the ASA) beneficially acquires Common Shares pursuant to the take-over bid and, when taken together with any other Common Shares held by the offeror, owns in excess of 30% of the issued and outstanding Common Shares;
  - (b) the issuance to or acquisition by any person, or group of persons acting in concert, directly or indirectly (other than the Corporation or a Subsidiary pursuant to an internal reorganization), including through an arrangement, amalgamation, merger or other form of reorganization, of Common Shares which in the aggregate with all other Common Shares held by such person or group of

persons acting in concert, directly or indirectly, constitutes 30% or more of the then issued and outstanding Common Shares;

- (c) any person becomes the beneficial owner, directly or indirectly, of more than 20% of the then issued and outstanding Common Shares and, within a period of six months, persons who were members of the Board immediately prior to any person becoming the beneficial owner, directly or indirectly, of more than 20% of the then issued and outstanding Common Shares represent less than a majority of the members of the Board;
- (d) an arrangement, amalgamation, merger, business combination or other form of reorganization of the Corporation where the holders of the outstanding voting securities or interests of the Corporation immediately prior to the completion of such reorganization transaction will hold 50% or less of the outstanding voting securities or interests of the continuing entity upon completion of such arrangement, amalgamation, merger, business combination or other form of reorganization;
- (e) the election of a slate of directors at a meeting of the shareholders of the Corporation where one third of the directors so elected are not persons who formed the slate of directors proposed by the management of the Corporation;
- (f) a determination by the Board that there has been a change, whether by way of a change in the holding of the voting securities of the Corporation, in the ownership of the Corporation's assets or by any other means, as a result of which any person or group of persons acting jointly or in concert is in a position to exercise effective control of the Corporation.
- (g) the sale, lease or other disposition of all or substantially all of the assets of the Corporation; or
- (h) the liquidation, winding-up, insolvency or dissolution of the Corporation;

provided that notwithstanding the application of any of the foregoing, a "Change of Control" shall be deemed not to have occurred if a majority of the Board, acting reasonably, determines prior to the effective date of any transaction which may be considered a Change of Control under this definition that in substance an arrangement or reorganization will not occur or the circumstances are such that a Change of Control will be deemed not to occur and any such determination shall be binding and conclusive for all purposes of the Plan.

- 2.8 "**Committee**" has the meaning ascribed thereto in Section 3.3.
- 2.9 "**Common Shares**" means the common shares in the capital of the Corporation, or, in the event of an adjustment contemplated by Article 8, such other securities to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment.
- 2.10 "**Consultant**" means an individual or Consultant Company, other than an employee, Director or an Executive Officer of the Corporation or a Subsidiary, that:

- (i) is engaged on an ongoing basis to provide *bona fide* consulting, technical, management or other services (other than services provided in relation to a distribution) to the Corporation or a Subsidiary under a written contract for an initial, renewable or extended period of 12 months or more between the Corporation or a Subsidiary and the individual or Consultant Company; and
  - (ii) spends or will spend a significant amount of time and attention on the affairs and business of the issuer of the Corporation or a Subsidiary; and
  - (iii) has a relationship with the Corporation or a Subsidiary that enables the individual to be knowledgeable about the business or affairs of the Corporation.
- 2.11 "**Consultant Company**" means for an individual Consultant, a company or partnership of which the individual is an employee, shareholder or partner.
- 2.12 "**Corporation**" means SilverWillow Energy Corporation and any successor thereof.
- 2.13 "**Director**" means an individual member of the Board or the board of directors of a Subsidiary, and for greater certainty shall include non-employee directors.
- 2.14 "**Disinterested Shareholders**" means the Shareholders, but excluding (i) Insiders to whom Options may be granted under the Plan and (ii) associates of persons referred to in (i), and "Disinterested Shareholder" means any one of them.
- 2.15 "**Eligible Person**" means any Director, Executive Officer, Consultant or employee of the Corporation or a Subsidiary.
- 2.16 "**Exchange**" means the TSX Venture Exchange, or if any time the Common Shares are not listed for trading on such exchange, any other stock exchange (including the Toronto Stock Exchange) on which the Common Shares are then listed and posted for trading from time to time as may be designated by the Board.
- 2.17 "**Executive Officer**" means an individual who is:
- (i) a chair, vice chair, president and/or chief executive officer of the Corporation or a Subsidiary;
  - (ii) the chief operating officer of the Corporation or a Subsidiary;
  - (iii) any vice president of the Corporation or a Subsidiary; or
  - (iv) any other employee which the Board determines, in its discretion, is an executive officer as a result of performing a policy making function in respect of the Corporation or a Subsidiary.
- 2.18 "**Exercise Price**" means the price per Common Share at which a Common Share may be purchased under an Option, as the same may be adjusted from time to time in accordance with Article 8.
- 2.19 "**Insider**" has the meaning ascribed to this term for the purposes of the Exchange rules relating to securities based compensation arrangements, including incentive stock options.

- 2.20 **"Investor Relations Activities"** has the meaning ascribed to this term for the purposes of the TSX Venture Exchange rules relating to Incentive Stock Options.
- 2.21 **"Market Price"** means with respect to a Common Share, as at any date means the closing price of the Common Shares on the Exchange (or, if the Common Shares are not then listed and posted for trading on the Exchange or are then listed and posted for trading on more than one stock exchange, on such stock exchange on which the Common Shares are then listed and posted for trading as may be selected for such purpose by the Board in its sole and absolute discretion) on the Business Day immediately preceding such date. In the event that the Common Shares are not listed and posted for trading on any stock exchange, the Market Price shall be the fair market value of the Common Shares as determined by the Board in its sole discretion, acting reasonably and in good faith.
- 2.22 **"Option"** means an option to purchase Common Shares granted under the Plan.
- 2.23 **"Optionee"** means an Eligible Person to whom an Option has been granted.
- 2.24 **"Plan"** means this Stock Option Plan, as amended from time to time.
- 2.25 **"Security Based Compensation Arrangement"** means a stock option, stock option plan, employee stock purchase plan where the Corporation or its subsidiaries provide any financial assistance or matching mechanism, stock appreciation right, or any other compensation or incentive mechanism involving the issuance or potential issuance of securities from the Corporation's treasury, including a Common Share purchase from treasury which is financially assisted by the Corporation or its subsidiaries by way of a loan guarantee or otherwise, but for greater certainty does not involve compensation arrangements which do not involve the issuance or potential issuance of securities from the Corporation's treasury.
- 2.26 **"Shareholders"** means the holders of Common Shares, from time to time, and **"Shareholder"** means any one of them.
- 2.27 **"Subsidiary"** has the meaning ascribed to it in the ASA and also includes those issuers that are similarly related, whether or not any of the issuers are corporations, companies, partnerships, limited partnerships, trusts, income trusts or investment trusts or any other organized entity issuing securities.

### 3. ADMINISTRATION OF THE PLAN

- 3.1 The Plan shall be administered by the Board.
- 3.2 The Board shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan, to:
- (a) establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan;
  - (b) interpret and construe the Plan and to determine all questions arising out of the Plan and any Option granted pursuant to the Plan, and any such interpretation,

construction or determination made by the Board shall be final, binding and conclusive for all purposes on the Corporation and the Optionee;

- (c) grant Options in accordance with the terms of the Plan;
- (d) determine which Eligible Persons are granted Options;
- (e) determine the number of Common Shares issuable on the exercise of each Option;
- (f) determine the Exercise Price;
- (g) determine the time or times when Options will be granted and exercisable and the expiry date;
- (h) determine if the Common Shares that are subject to an Option will be subject to any restrictions upon the exercise of such Option, including vesting provisions; and
- (i) prescribe the form of documents relating to the grant, exercise and other terms of Options.

3.3 To the extent permitted by applicable law, the Board may, from time to time, delegate to a committee of the Board (the "**Committee**") all or any of the powers conferred on the Board pursuant to Section 3.2. In the event of such a delegation, the Committee will exercise the powers delegated to it by the Board in the manner and on the terms authorized by the Board. Any decision made or action taken by the Committee arising out of or in connection with the administration or interpretation of this Plan in this context is final and conclusive.

The day-to-day administration of this Plan may be delegated to such officers and employees of the Corporation or a Subsidiary as the Board or Committee, as applicable, determines.

Where the Board has delegated an administrative power or duty to the Committee or to any other person pursuant to the Plan any reference in the Plan, in connection with such power or duty, to the "Board" shall be, as applicable to the Committee or such other person.

#### **4. COMMON SHARES SUBJECT TO PLAN**

- 4.1 Options may be granted in respect of authorized and unissued Common Shares; provided that, the aggregate number of Common Shares reserved for issuance under this Plan, subject to adjustment or increase of such number pursuant to the provisions of Article 8, shall not exceed 10% of the issued and outstanding Common Shares on the date such Option is granted.
- 4.2 If any Option is exercised, terminated, cancelled or has expired without being fully exercised, any unissued Common Shares which have been reserved to be issued upon the exercise of the Option shall become available to be issued upon the exercise of Options

subsequently granted under the Plan. No fractional Common Shares may be purchased or issued under the Plan.

## 5. ELIGIBILITY, GRANT AND TERMS OF OPTIONS

- 5.1 Options may be granted to Eligible Persons as the Board may determine, subject to the requirement that any Eligible Person who is a Consultant or employee of the Corporation or a Subsidiary be a *bona fide* Consultant or employee of the Corporation or a Subsidiary.
- 5.2 Subject to, and except as herein and as otherwise specifically provided for in this Plan, the number of Common Shares issuable on the exercise of each Option, the Exercise Price, the expiration date of each Option, the extent to which each Option vests and is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option shall be determined by the Board; provided, however, that:
- (a) the period during which an Option shall be exercisable shall end not later than seven calendar years following the date on which the Option is granted to the Optionee;
  - (b) the Exercise Price of Common Shares that are subject to any Option shall not be lower than the Market Price of the Common Shares on the date of grant; and
  - (c) unless the Board shall otherwise determine at the time of making the grant, one third of the Options granted to an Optionee shall vest on the first anniversary of the date of grant, one third of the Options shall vest on the second anniversary of the date of grant, and the final one third of the Options shall vest on the third anniversary of the date of grant.

Subject to Sections 6.2, 6.3, 6.4 and 8.2, the terms of any Option granted may restrict the exercise of the Option prior to the expiry of any designated period and may limit the number of Common Shares in respect of which the Option may be exercised (or the proportion of the Common Shares subject to the Option in respect of which the Option may be exercised) on or before a specified date or specified dates.

- 5.3 Unless the Board shall otherwise determine, no separate agreement between the Corporation and the Optionee shall be necessary to create and grant any Option, and the Board may, by resolution, create and grant Options and stipulate such additional terms as are consistent with this Plan.
- 5.4 Unless the Board obtains the requisite Disinterested Shareholder approval prescribed by the Exchange rules relating to Incentive Stock Options, the total number of Common Shares that may be issued to any one Optionee within a one year period under this Plan and all other Security Based Compensation Arrangements shall not exceed 5% of the Common Shares outstanding at the date of the grant of the Option (on a non-diluted basis).
- 5.5 The maximum number of Common Shares that may be granted to any one Consultant under the Plan within a one year period shall not exceed 2% of the issued and outstanding Common Shares, calculated at the date the Option was granted to the Consultant.



- 5.6 The maximum number of Common Shares that may be granted to an Eligible Person conducting Investor Relations Activities under the Plan within a one year period shall not exceed 2% of the issued Common Shares, calculated at the date the Option was granted to such Eligible Person. Notwithstanding any other provisions contained herein, any Option granted to a Consultant conducting Investor Relations Activities shall vest in stages over at least a one year period with no more than one quarter (1/4) of the Options vesting in any three month period.
- 5.7 The maximum number of Common Shares that may be reserved for issuance to Insiders under the Plan and all other Security Based Compensation Arrangements shall be 10% of the Common Shares outstanding at the date of the grant of the Option (on a non-diluted basis).
- 5.8 The maximum number of Common Shares that may be issued to Insiders, in the aggregate, under the Plan and all other Security Based Compensation Arrangements within a one year period shall be 10% of the Common Shares outstanding at the time of the issuance (on a non-diluted basis), excluding Common Shares issued under the Plan or any other Security Based Compensation Arrangements over the preceding one year period. The maximum number of Common Shares which may be issued to any one Insider under the Plan within a one year period shall be 5% of the Common Shares outstanding at the time of the issuance (on a non-diluted basis), excluding Common Shares issued to such Insider under the Plan over the preceding one year period.
- 5.9 The right to receive Common Shares pursuant to an Option granted to an Optionee may only be settled by such Optionee personally or through such Optionee's personal representative or estate and, except as otherwise provided in this Plan, no assignment, sale, transfer, pledge or charge of an Option, whether voluntary, involuntary, by operation of law or otherwise, vests any interest or right in such Option whatsoever in any assignee or transferee and, immediately upon any assignment, sale, transfer, pledge or charge or attempt to assign, sell, transfer, pledge or charge, such Option shall terminate and be of no further force or effect.
- 5.10 Notwithstanding anything else contained herein, if the expiration date for an Option occurs during a Blackout Period applicable to the relevant Optionee, or within 10 business days after the expiry of a Blackout Period applicable to the relevant Optionee, then the expiration date for that Option (the "**Blackout Expiry Date**") shall be the date that is the tenth business day after the expiry date of the Blackout Period. This section 5.10 applies to all Options outstanding under this Plan. The Blackout Expiry Date for an Option may not be amended by the Board without the approval of the holders of Common Shares in accordance with Section 9.1(a) of the Plan.

## 6. TERMINATION OF EMPLOYMENT

- 6.1 Subject to Sections 6.2, 6.3 and 6.4 and to any express resolution passed by the Board (and approved by the Exchange with respect to an Option, if required), an Option, and all rights to purchase Common Shares pursuant thereto, shall expire and terminate immediately upon the Optionee ceasing to be a Director, Executive Officer, Consultant or employee of the Corporation or Subsidiary, as the case may be.

- 6.2 Notwithstanding Section 6.1, if, for any reason whatsoever, other than termination of an Executive Officer, employee or Consultant by the Corporation for cause or the Optionee's death, before the expiry (in accordance with the terms thereof) of an Option held by an Optionee who is a Director, Executive Officer, Consultant or employee, such Optionee ceases to be at least one of a Director, Executive Officer, Consultant or employee of the Corporation or a Subsidiary, such Option may, subject to the terms thereof and any other terms of the Plan, be exercised by the Optionee, as follows:
- (a) at any time within 30 days (or at the discretion of the Board, on a date within 180 days) from the date notice of termination of the employment (or consulting arrangement) of the Optionee is given to the Optionee by the Corporation if the Corporation is terminating the Optionee's employment (or consulting arrangement); or
  - (b) at any time within 30 days (or at the discretion of the Board, on a date within 180 days) from the date notice of termination of the employment (or consulting arrangement) of the Optionee is given to the Corporation by the Optionee if the Optionee is terminating his employment (or consulting arrangement),

but in all cases, prior to the expiry of the Option in accordance with the terms thereof following which such Option shall terminate. For the purposes of this Section 6.2, no unvested Option shall vest following the date notice is provided in accordance with Subsections 6.2(a) or 6.2(b). For the purposes of Sections 6.2, 6.3 and 6.4, Directors, Executive Officers and Consultants shall be deemed to be employed by the Corporation. Without limitation, and for greater certainty only, this provision will apply regardless of whether the Optionee was dismissed with or without cause and regardless of whether the Optionee receives compensation in respect of dismissal or was entitled to a period of notice of termination which would otherwise have permitted a greater portion of the Options to vest with the Optionee.

- 6.3 In the event of the death of the Optionee, all Options previously granted to such Optionee shall immediately vest and, subject to the terms thereof and any other terms of the Plan, be exercisable within the first six months following the date of death of the Optionee or prior to the expiry date of the Option whichever is earlier by the legal personal representative(s) of the estate of the Optionee following which such Options shall terminate.
- 6.4 Options shall not be affected by any change of employment of the Optionee or by the Optionee ceasing to be one of a Director, officer, Consultant or employee of the Corporation or a Subsidiary where the Optionee continues to be a Director, Executive Officer, Consultant or employee of the Corporation or a Subsidiary.

## **7. EXERCISE OF OPTIONS**

- 7.1 Subject to the provisions of the Plan, an Optionee must provide written notice of the Optionee's intent to exercise an Option, in whole or in part, to the Corporation at its head office. The notice must specify the number of Common Shares which the Optionee intends to purchase and be accompanied by payment in full of the Exercise Price of the Common Shares to be purchased, by way of cash, certified cheque, bank draft or electronic funds transfer. Certificates for such Common Shares shall be issued and

delivered to the Optionee as soon as possible following the receipt of such notice and payment. Notwithstanding the foregoing provisions of this Section 7.1, an Option may be exercised and Common Shares may be issued upon the exercise of such Option in such other manner as may be acceptable to the Corporation and the Optionee however, in all cases payment of the Exercise Price of any Common Shares to be purchased must be made in full by way of cash, certified cheque, bank draft or electronic funds transfer.

- 7.2 Provided that the Common Shares are listed on the Toronto Stock Exchange ("TSX") and that the Corporation is in compliance with applicable TSX requirements, or provided that the Corporation is a Tier 1 Issuer (as defined in applicable policies of the TSX Venture Exchange) and obtains approval from the TSX Venture Exchange, Options granted pursuant to this Plan may be exercised by an Optionee on a "cashless basis", whereby the Optionee, instead of making a cash payment for the aggregate Exercise Price, shall, subject to any applicable withholding requirements, be entitled to be issued such number of Common Shares equal to the number which results when: (i) the difference between the aggregate Market Price of the Common Shares underlying the Option and the aggregate Exercise Price of such Option is divided by (ii) the Market Price of each Common Share.
- 7.3 Notwithstanding any of the provisions contained in the Plan or in any Option, the Corporation's obligation to issue Common Shares to an Optionee pursuant to the exercise of an Option shall be subject to:
- (a) completion of such registration or other qualification of such Common Shares or obtaining approval of such regulatory or governmental authority as the Board shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
  - (b) in accordance with Section 13.4 the satisfaction by the Optionee of any withholding requirements under applicable law, to the satisfaction of the Corporation;
  - (c) the listing of such Common Shares on the Exchange (if applicable); and
  - (d) the receipt from the Optionee of such representations, agreements and undertakings, including as to future dealings in such Common Shares, as the Corporation or its counsel determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In connection with the foregoing, the Corporation shall, to the extent necessary, take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Common Shares in compliance with applicable securities laws and for the listing of such Common Shares on any Exchange on which the Common Shares are then listed.

## **8. CHANGE OF CONTROL AND CERTAIN ADJUSTMENTS**

- 8.1 Subject to the provisions of Sections 8.2 and 8.3, if, during the term of an Option, the Corporation shall merge into or amalgamate or otherwise combine with any other entity, or if the Corporation shall sell all or substantially all of its assets and undertaking for

consideration consisting of securities of another corporation, trust or other person, cash, or some combination thereof, the Corporation will make provision that, upon the exercise of any Option during its unexpired period after the effective date of such merger, amalgamation, combination or sale, the Optionee shall receive such number of securities of the other, continuing or successor corporation, trust or other person, resulting from such merger, amalgamation or combination or of the securities of the purchasing corporation, trust or other person, or such other consideration offered by the acquiror in such sale, as he or she would have received as a result of such merger, amalgamation, combination or sale if the Optionee had purchased Common Shares immediately prior thereto for the same consideration paid on the exercise of the Option and had held such Common Shares on the effective date of such merger, amalgamation, combination or sale.

- 8.2 Notwithstanding any other provision in this Plan, if, during the term of an Option, there takes place a Change of Control, the Corporation shall give notice of such Change of Control to all Optionees, and to the extent practicable, shall provide such notice at least 14 days before the effective date of such Change of Control. In the event of a Change of Control all Options (whether vested or unvested) shall be immediately exercisable and each Optionee shall have the right, whether or not such notice is given to it by the Corporation, to exercise all such Options to purchase all of the Common Shares optioned to them (whether vested or unvested) which have not previously been purchased in accordance with the Plan. If for any reason such Change of Control is not effected, any such Common Shares so purchased by an Optionee shall be, and shall be deemed to be, cancelled and returned to the treasury of the Corporation, shall be added back to the number of Options, if any, remaining unexercised and upon presentation to the Corporation of Common Share certificates representing such Common Shares properly endorsed for transfer back to the Corporation, the Corporation shall refund the Optionee all consideration paid by the Optionee in the initial purchase thereof.

For greater certainty, the Board shall have the power, in the event of any Change of Control which may or has occurred, to make such arrangements as it shall deem appropriate for the exercise of outstanding Options including, without limitation, to amend any Option, to permit the exercise of any or all remaining Options prior to or in conjunction with completion of such transaction. If the Board shall exercise such power, the Options shall be deemed to have been amended to permit the exercise thereof in whole or in part by the Optionee at any time or from time to time as determined by the Board prior to or in conjunction with completion of such transaction.

- 8.3 Appropriate adjustments as regards Options granted or to be granted, in the number of Common Shares optioned and in the Exercise Price shall be made by the Board to give effect to adjustments in the number of Common Shares resulting from subdivisions, consolidations or reclassifications of the Common Shares, or other relevant changes in the Corporation. The appropriate adjustment in any particular circumstance shall be conclusively determined by the Board in its sole discretion, subject to approval by the Shareholders and to acceptance by the Exchange, respectively, if applicable.

## **9. AMENDMENT OR DISCONTINUANCE OF PLAN**

9.1 Subject to receipt of any necessary approvals required by the Exchange, the Board may amend, suspend or discontinue the Plan or amend Options granted under the Plan at any time without shareholder approval; provided, however, that:

- (a) approval by a majority of the votes cast by shareholders present and voting in person or by proxy at a meeting of shareholders of the Corporation shall be obtained for any amendment which:
  - (i) increases the number of Common Shares issuable pursuant to the Plan;
  - (ii) would reduce the Exercise Price of an outstanding Option, including a cancellation of an Option and re-grant of an Option in conjunction therewith, in circumstances which constitute a reduction of the Exercise Price of the Option;
  - (iii) would reduce the Exercise Price of an outstanding Option held by an Insider at the time of the proposed amendment, including a cancellation of an Option and re-grant of an Option in conjunction therewith, in circumstances which constitute a reduction of the Exercise Price of the Option, provided further that any amendment pursuant to this subsection (iii) also requires approval by a majority of the votes cast by Disinterested Shareholders present and voting in person or by proxy at a meeting of shareholders of the Corporation;
  - (iv) would extend the term of any Option granted under this Plan beyond the expiration date of the Option;
  - (v) expands the authority of the Corporation to permit assignability of Options beyond that contemplated by Section 5.9; or
  - (vi) amends this section 9.1;unless the change to the Plan or an Option results from the application of Article 8; and
- (b) the consent of the Optionee is obtained for any amendment which adversely alters or impairs any Option previously granted to an Optionee under the Plan.

9.2 No amendment, suspension or discontinuance of the Plan may contravene the requirements of the Exchange or any securities commission or regulatory body to which the Plan or the Corporation is now or may hereafter be subject.

## **10. ACCOUNTS AND STATEMENTS**

10.1 The Corporation shall maintain records of the details of each Option granted to each Optionee under the Plan. Upon request therefor from an Optionee and at such other times as the Corporation shall determine, the Corporation shall furnish the Optionee with a statement setting forth details of his or her Options. Such statement shall be deemed to

have been accepted by the Optionee as correct unless written notice to the contrary is given to the Corporation within ten days after such statement is given to the Optionee.

## **11. NOTICES**

11.1 Any payment, notice, statement, certificate or other instrument required or permitted to be given to an Optionee or any person claiming or deriving any rights through him or her shall be given by:

- (a) delivering it personally to the Optionee or the person claiming or deriving rights through him or her, as the case may be; or
- (b) mailing it, postage paid (provided that the postal service is then in operation) or delivering it to the address which is maintained for the Optionee in the Corporation's personnel or corporate records.

11.2 Any payment, notice, statement, certificate or instrument required or permitted to be given to the Corporation shall be given by facsimile, or by mailing it, postage prepaid (provided that the postal service is then in operation) or delivering it to the Corporation at the following address:

SilverWillow Energy Corporation  
1500, 202 – 6<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 3N9  
Attention: Corporate Secretary  
Facsimile: (403) 538-7033

11.3 Any payment, notice, statement, certificate or instrument referred to in Sections 11.1 or 11.2, if delivered, shall be deemed to have been given or delivered, on the date on which it was delivered or, if mailed (provided that the postal service is then in operation), shall be deemed to have been given or delivered on the second Business Day following the date on which it was mailed.

## **12. SHAREHOLDER AND REGULATORY APPROVAL**

12.1 The Plan (and any amendments thereto as required from time to time under Article 9) shall be subject to such future approvals of the Shareholders of the Corporation and of the Exchange (if the Common Shares are listed on an Exchange) as may be required under the Plan or by the Exchange, as applicable, from time to time. Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless and until such approval and acceptance is given.

## **13. MISCELLANEOUS**

13.1 An Optionee shall not have any rights as a Shareholder with respect to any of the Common Shares covered by an Option until such Optionee shall have exercised such Option in accordance with the terms of the Plan and the issuance of the Common Shares by the Corporation.

- 13.2 Nothing in the Plan or any Option shall confer upon any Optionee any right to continue in the employ of the Corporation or affect in any way the right of the Corporation to terminate his or her employment at any time; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation to extend the employment of any Optionee beyond the time that he or she would normally be retired pursuant to the provisions of any present or future retirement plan or policy of the Corporation, or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation.
- 13.3 The participation of any Optionee in this Plan is entirely voluntary and not obligatory and shall not be interpreted as conferring upon such Optionee any rights or privileges other than those rights and privileges expressly provided in this Plan. In particular, participation in this Plan does not constitute a condition of employment, appointment or service. The Plan does not provide any guarantee against any loss that may result from fluctuations in the market value of the Common Shares. The Corporation does not assume responsibility for the personal income or other tax consequences for the Optionees and they are advised to consult with their own tax advisors.
- 13.4 Notwithstanding anything else in this Plan, any issuance of Common Shares or exercise of Options pursuant to the Plan shall be subject to and paid after deduction of any withholdings or deductions required by law in such manner as may be determined by the Corporation. For greater certainty, prior to issuing and delivering Common Shares to an Optionee exercising an Option pursuant to this Plan, the Corporation may require the Optionee to deliver payment of an amount determined by the Corporation as security for any tax withholding or remittance obligations of the Optionee or the Corporation arising under applicable law, which payment may be waived by the Corporation if another arrangement acceptable to the Corporation to secure the payment of such obligations has been entered into by the parties.
- 13.5 To the extent required by law or regulatory policy or necessary to allow Common Shares issued on exercise of an Option to be free of resale restrictions, the Corporation shall report the grant, exercise or termination of the Option to the Exchange (if the Common Shares are listed on an Exchange) and the appropriate securities regulatory authorities.
- 13.6 Each Optionee shall provide the Corporation with all information (including personal information) required by the corporation in order to administer the Plan. Each Optionee acknowledges that information required by the Corporation in order to administer the Plan may be disclosed to third parties in connection with the administration of the Plan. Each Optionee consents to such disclosure and authorizes the Corporation to make such disclosure on the Optionee's behalf.
- 13.7 Nothing contained in this Plan or in an Option shall be construed so as to prevent the Corporation from taking any corporate action deemed by the Corporation to be appropriate or in its best interest, whether or not such action would have an adverse effect on this Plan or any Option, including, with respect to an Option previously granted, any adjustments to the Exercise Price, exercise period or number of Options, provided that any such adjustment is required by any securities exchange or applicable securities laws.

- 13.8 If any provision of this Plan contravenes any regulations or Treasury guidance promulgated under section 409A of the United States *Internal Revenue Code of 1986*, as amended, or could cause the Optionee to recognize income for U.S. federal income tax purposes with respect to any Options before such Options are exercised or to be subject to interest and penalties under section 409A, such provision shall be modified to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the provisions of section 409A or causing such income recognition or imposition of interest or penalties. Moreover, any discretionary authority that the Board or any delegate thereof may have pursuant to this Plan shall not be applicable to Options that are subject to section 409A to the extent such discretionary authority will contravene section 409A.
- 13.9 This Plan shall be construed and interpreted in accordance with the laws of Alberta.
- 13.10 If any provision of this Plan is determined to be void, the remaining provisions shall be binding as though the void parts were deleted.



## **APPENDIX I – SECTION 190 OF THE CBCA**

### **190(1) Right to dissent**

Subject to Sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

- (a) amend its articles under Section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
- (b) amend its articles under Section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;
- (c) amalgamate otherwise than under Section 184;
- (d) be continued under Section 188;
- (e) sell, lease or exchange all or substantially all its property under Subsection 189(3); or
- (f) carry out a going-private transaction or a squeeze-out transaction.

### **190(2) Further right**

A holder of shares of any class or series of shares entitled to vote under Section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

#### **190(2.1) If one class of shares**

The right to dissent described in Subsection (2) applies even if there is only one class of shares.

### **190(3) Payment for shares**

In addition to any other right the shareholder may have, but subject to Subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under Subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

### **190(4) No partial dissent**

A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

### **190(5) Objection**

A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in Subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

### **190(6) Notice of resolution**

The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in Subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

**190(7) Demand for payment**

A dissenting shareholder shall, within twenty days after receiving a notice under Subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and
- (c) a demand for payment of the fair value of such shares.

**190(8) Share certificate**

A dissenting shareholder shall, within thirty days after sending a notice under Subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

**190(9) Forfeiture**

A dissenting shareholder who fails to comply with Subsection (8) has no right to make a claim under this section.

**190(10) Endorsing certificate**

A corporation or its transfer agent shall endorse on any share certificate received under Subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

**190(11) Suspension of rights**

On sending a notice under Subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

- (a) the shareholder withdraws that notice before the corporation makes an offer under Subsection (12),
- (b) the corporation fails to make an offer in accordance with Subsection (12) and the shareholder withdraws the notice, or
- (c) the directors revoke a resolution to amend the articles under Subsection 173(2) or 174(5), terminate an amalgamation agreement under Subsection 183(6) or an application for continuance under Subsection 188(6), or abandon a sale, lease or exchange under Subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

**190(12) Offer to pay**

A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in Subsection (7), send to each dissenting shareholder who has sent such notice

- (a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or
- (b) if Subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

**190(13) Same terms**

Every offer made under Subsection (12) for shares of the same class or series shall be on the same terms.

**190(14) Payment**

Subject to Subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under Subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

**190(15) Corporation may apply to court**

Where a corporation fails to make an offer under Subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

**190(16) Shareholder application to court**

If a corporation fails to apply to a court under Subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

**190(17) Venue**

An application under Subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

**190(18) No security for costs**

A dissenting shareholder is not required to give security for costs in an application made under Subsection (15) or (16).

**190(19) Parties**

On an application to a court under Subsection (15) or (16),

- (a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and
- (b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

**190(20) Powers of court**

On an application to a court under Subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

**190(21) Appraisers**

A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

**190(22) Final order**

The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

**190(23) Interest**

A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

**190(24) Notice that Subsection (26) applies**

If Subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under Subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

**190(25) Effect where Subsection (26) applies**

If Subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under Subsection (24), may

- (a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or
- (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

**190(26) Limitation**

A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or
- (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.