



**JOINT TAX ELECTION INSTRUCTIONS
FOR FORMER TUSK ENERGY INC. SHAREHOLDERS**

Introduction

The information in this document is provided to assist former TUSK Energy Inc. (“**TUSK**”) shareholders (“**TUSK Shareholders**”) who are eligible to make a joint tax election. This information does not apply to TUSK Shareholders that were either Non-Residents or Tax-Exempt or to TUSK Optionholders.

Terms not specifically defined in these instructions have the meaning ascribed to them in the Information Circular with respect to a Plan of Arrangement involving TUSK Shareholders, TUSK AcquisitionCo Inc., TUSK Energy Corporation, TKE Energy Trust, TUSK Energy (AB Production) Inc., and TUSK Energy (SK Production) Inc. dated September 28, 2004 (the “Arrangement”). The full text of the Information Circular can be found at www.sedar.com.

The following instructions are of a general nature only and are not intended to be nor should be construed as legal or tax advice to any particular former TUSK Shareholder concerning their joint tax election.

Furthermore, other than the summary provided herein, neither TUSK (the continuing company after the amalgamation of TUSK Energy Inc. and TUSK AcquisitionCo Inc.) nor Computershare Trust Company of Canada has provided or will provide former TUSK Shareholders with any advice regarding the joint tax election or the manner of its completion or execution by virtue of (i) the following instructions, (ii) the enclosed partially completed Form T2057, (iii) the enclosed Form T2058, or (iv) TUSK’s execution of forms prepared by former TUSK Shareholders.

Accordingly, former TUSK shareholders are advised to consult their tax or legal advisor(s) for specific advice regarding the joint tax election and the proper completion and execution of the required forms, having regard to their personal circumstances. Further, former TUSK shareholders are advised to consult their tax or legal advisor(s) for specific advice regarding the requirements of any applicable provincial tax laws analogous to or respecting subsections 85(1) or 85(2) of the Income Tax Act (Canada) (the “ITA”) having regard to their personal circumstance.

TUSK STRONGLY RECOMMENDS THAT EACH FORMER TUSK SHAREHOLDER REVIEW THE ENCLOSED FORMS AND INSTRUCTIONS CAREFULLY AND CONSULT THEIR TAX ADVISOR(S) RESPECTING THEIR PROPER COMPLETION AND EXECUTION.

For further information, you may wish to review Information Circular 76-19R3 of Interpretation Bulletin IT-291R3 issued by Canada Revenue Agency (“CRA”). The text can be located on CRA’s website (www.cra-arc.gc.ca/tax/technical/incometax/menu-e.html)

Summary of Key Steps and Deadlines

Former TUSK Shareholders are advised of the following key steps and deadlines respecting the joint tax elections:

1. ***Complete the Forms***

The required documents (including any applicable provincial documents) must be properly completed and executed by the former TUSK Shareholder. Compliance with the requirements for a valid election, including selection of the appropriate Elected Amount within the limitations of section 85 of the Income Tax Act (“ITA”) and the provision of any documentation required under applicable provincial legislation, is the sole responsibility of the TUSK Shareholder making the election.

NEITHER TUSK, NOR COMPUTERSHARE TRUST COMPANY OF CANADA, WILL BE RESPONSIBLE OR LIABLE FOR ANY TAXES, INTEREST PENALTIES, DAMAGES OR EXPENSES RESULTING FROM THE FAILURE BY ANYONE TO PROPERLY COMPLETE ANY FORM OF ELECTION OR TO PROPERLY FILE IT WITHIN THE TIME AND IN THE FORM PRESCRIBED UNDER THE ITA (OR THE CORRESPONDING PROVISIONS OF ANY APPLICABLE PROVINCIAL LEGISLATION).

2. ***Return the Forms to TUSK Energy Inc. Before January 15, 2005***

Once **properly completed and executed** by the former TUSK Shareholder, the required documents (including any applicable provincial documents) must be provided to TUSK for signature. **TUSK requests that the required documents (including any applicable provincial documents) be delivered to them at the address shown below on or before January 15, 2005.** We recommend all documents be sent by registered mail or courier as this provides evidence of sending.

3. **Address of TUSK Energy Inc.**

TUSK Energy Inc., Suite 1950, 700-4th Avenue S.W., Calgary, Alberta, T2P 3J4, CANADA.
Attention: Gordon K. Case, Chief Financial Officer.

4. ***Forms Will Be Signed and Returned to You***

TUSK will sign and return the required documents (including any applicable provincial documents prepared and provided by such shareholder) to the former TUSK Shareholder within 60 days after the receipt thereof by TUSK.

5. *You Must Timely File the Form*

It is the responsibility of the former TUSK Shareholder to ensure that any form of election is properly filed within the time and in the form prescribed under the ITA (or the corresponding provisions of any applicable provincial legislation). In order for CRA to accept a tax election without a late filing penalty being paid by a former TUSK Shareholder, the election must be received by CRA on or before the day that is the earliest of the days on or before which either TUSK or the Shareholder is required to file an income tax return for the taxation year in which the disposition occurred. As a result of the amalgamation of TUSK Energy Inc. and TUSK AcquisitionCo Inc. under the Arrangement, TUSK's taxation year ended on **November 1, 2004**. Thus, for federal income tax purposes, **the tax election will be due on the earlier of April 30, 2005** and such time as the Shareholder's tax return is due to be filed for the year in which the disposition occurs.

TUSK will assume the validity of all signatures and will not take any action to verify any signature. Furthermore, TUSK will assume that any person who signs a joint tax election form on behalf of a former TUSK Shareholder in a representative capacity has been validly authorized or appointed to do so, and will assume the validity of any such authorization or appointment. Former TUSK Shareholders that are corporations, trusts or estates or who have otherwise appointed or authorized representatives to sign on their behalf should consult their legal advisors to determine whether such authorization or appointment has been properly given. Finally, TUSK will assume that any former TUSK Shareholder who executes one of the election forms is entitled to make an income tax election pursuant to subsection 85(1) or 85(2) of the ITA, as applicable (and the analogous provisions of provincial income tax law).

Summary of Key Steps of the Arrangement

The Arrangement contained the following steps that are relevant to the proper reporting of the Arrangement by former TUSK Shareholders for Canadian federal income tax:

1. The articles of TUSK were amended such that each issued and outstanding Share shall be changed into one Class A Common Share and one Class B Redeemable Share.

Section 86(1) of the ITA applied to this exchange with the result that:

- ⌚ the cost to the Shareholder of the Class A Common Shares and Class B Redeemable shares of TUSK will be equal to their pro-rata share (based on relative fair market value) of the Shareholder's adjusted cost base in his TUSK Energy Inc. Common Shares immediately prior to the reorganization of capital; and,
 - ⌚ the TUSK Shareholder will be deemed to have disposed of his TUSK Common Shares for proceeds of disposition equal to their adjusted cost base in his TUSK Common Shares immediately before the reorganization.
2. TUSK Shareholders transferred their TUSK Class B Redeemable shares to TUSK Energy Corporation ("TUSKEx") in exchange for TUSKEx Shares in a tax-deferred share-for-share exchange under section 85.1 of the ITA. As a result, TUSK Shareholders will be deemed to have disposed of their Class B Redeemable Shares for proceeds of disposition equal to the

adjusted cost base to the Shareholder of such shares immediately before the exchange. The Shareholder will be deemed to have acquired the TUSKEx Shares at a cost equal to the adjusted cost base to the Shareholder of the Class B Redeemable Shares immediately before the exchange.

3. TUSK Shareholders transferred each of their Class A Common Shares to TUSK in exchange for either 0.5 of a Trust Note or 0.5 of an exchangeable shares (subject to limitation of issuance of Exchangeable shares) of TUSK. This transaction can be done on a tax deferred basis under section 85 of ITA.

ALTHOUGH EACH OF THE ABOVE THREE TRANSACTIONS WILL RESULT IN A REQUIREMENT FOR A FORMER TUSK SHAREHOLDER TO REPORT A DISPOSITION FOR CANADIAN FEDERAL INCOME TAX PURPOSES, IT IS THE DISPOSITION OF CLASS A COMMON SHARES AS CONSIDERATION FOR TUSK EXCHANGEABLE SHARES (TOGETHER WITH THE ANCILLARY RIGHTS) OR/AND TRUST UNITS (IF APPLICABLE) (STEP 3 ABOVE) THAT WILL BE REPORTED ON THE FORM T2057 OR T2058.

Estimates of Fair Market Value of Class A and Class B shares

TUSK estimates the fair market value of the Class A Common Shares and Class B Redeemable shares immediately before the Plan of Arrangement became effective as follows:

TUSK Energy Inc. Class A Common Shares \$5.28 per share

TUSK Energy Inc. Class B Redeemable Shares \$0.50 per share

The value of a Class A Common Share was determined by using the weighted average trading price (\$5.7794) per Common Share of TUSK Energy Inc. during the five trading days ended on November 2, 2004 (the Effective Date of the Arrangement) less the value of a Class B Redeemable Share as estimated in the Plan of Arrangement of \$0.50 per share. The value of a Class B Redeemable Share was based upon the Net Asset Value of the shares as detailed in the Arrangement.

THE MANAGEMENT OF TKE ENERGY TRUST AND THE FORMER MANAGEMENT OF TUSK BELIEVE THAT THE ABOVE VALUES REPRESENT A REASONABLE ESTIMATE USING APPROPRIATE VALUATION PROCEDURES. HOWEVER, THEY MAKE NO EXPLICIT OR IMPLICIT REPRESENTATION AS THEIR ACCURACY, NOTE THAT THE VALUES ARE NOT BINDING ON ANY PARTY AND, IN PARTICULAR, NOTE THAT THE VALUES HAVE NOT BEEN ACCEPTED BY OR REVIEWED WITH CRA.

Also included in the consideration that the former TUSK Shareholders received was **Ancillary Rights** relating to the Exchangeable Shares, as more particularly described in the Arrangement.

TUSK is of the view that the Ancillary Rights have nominal value, and hence, the Ancillary Rights have not been shown either on Form T2057 or on Form T2058.

If the view that the Ancillary Rights have nominal value is correct, a TUSK Shareholder's receipt or grant of such rights will not result in any material Canadian federal income tax consequence. **HOWEVER, SUCH DETERMINATIONS OF VALUE ARE NOT BINDING ON CRA OR ON FORMER TUSK SHAREHOLDERS.**

If CRA were to successfully assert that the Ancillary Rights have more than nominal value, such greater value would be required to be taken into account in determining the proceeds of disposition of the Class A Common Shares, the proceeds of disposition of the TUSK Shares, the proceeds of disposition deemed to be received by the Shareholder in respect of the grant of the Call Rights to the Shareholder, the Elected Amount in any election under section 85 of the ITA and the adjusted cost base to the Shareholder of the Exchangeable Shares.

While TUSK believes that the valuation methodology used in respect of determining the estimated fair market value of the Exchangeable Shares and Ancillary Rights is reasonable, TUSK accepts no responsibility for the consequences that may result by your use of these values for purposes of filing your tax return or the joint election. Former TUSK Shareholders should consult their own tax advisors in this regard.

Steps for Completing Prescribed Forms

The following Forms are included in this package:

1. For former TUSK Shareholders that are not partnerships: One partially completed [Form T2057](#) (the "**Original Form**") is included in the package. The Original Form is to be completed and signed by the former TUSK Shareholder and returned to TUSK Energy Inc. at the address listed above **on or before January 15, 2005**. The Original Form will then be executed by TUSK and returned to the former TUSK Shareholder for filing.
2. For former TUSK Shareholders that are partnerships: One partially completed [Form T2058](#) is included in this package. No specific instructions have been included about completing and executing a T2058. However, the procedures to complete and execute this form are similar to the completion and execution of the T2057. Therefore, refer to the below instructions for assistance. A former TUSK Shareholder that is a partnership is advised to review their circumstances and election form with their tax or legal counsel. **If the TUSK Common Shares were held as partnership property, a partner designated by the partnership must return to TUSK (at the address listed previously) two copies of Form T2058 on behalf of all members of the partnership, along with a list containing the name, address and social insurance number (or business number) of each partner as well as a letter signed by each partner authorizing the designated partner to complete and file the form. Former TUSK Shareholders who are members of a partnership seeking to take advantage of the joint tax election should consult their own tax advisor(s) for advice respecting the joint tax election relevant to partnerships.**

The instructions set forth below relate to the portions of the attached Original Form that are labeled with the headings in the left hand column below.

- Step #1** Insert your name, address, postal code, social insurance number or business number and taxation year in the relevant boxes on Page 1 of Form T2057. For most, but not all, individuals, the taxation year will be January 1, 2004 – December 31, 2004. Indicate the Tax Services Office that normally services you. This information can be found on the last Notice of Assessment you received from the CRA. If your TUSK Shares were held in joint ownership with another person or other persons, insert the name, address, postal code, social insurance number, and tax services office of that person or those persons (attach a separate schedule if required).
- Step #2** As long as the former TUSK Shareholder files the Form T2057 by **April 30, 2005**, the area titled “Penalty for late-filed and amended elections” should be left blank.
- Step #3** Insert an “x” in the “yes” box on page 2 of the Form T2057 for “Question #1”.
- Step #4** Insert an “x” in the “no” box on page 2 of the Form T2057 for “Question #2”.
- Step #5** Insert an “x” in the “yes” box on page 2 of the Form T2057 for “Question #3”, if applicable.
- Step #6** The box for “Question #4” on page 2 of the Form T2057 should be left blank.
- Step #7** If you are a non-resident of Canada for purposes of the ITA, mark an “x” in the box labeled “yes” for “Question #5” on page 2 of the Form T2057. If you are a resident of Canada mark an “x” in the box labeled “no”. Whether a former TUSK Shareholder is a resident or a non-resident of Canada is a question of fact, which must be determined by each former TUSK Shareholder based on the consideration of all relevant circumstances. Determining residency for income tax purposes is a complex process in certain cases. **Former TUSK Shareholders should consult their tax advisor(s) if they have any questions concerning this or any other aspect of the joint tax election.**

THE INSTRUCTIONS BELOW ASSUME THAT THE CLASS A COMMON SHARES WERE HELD AS CAPITAL PROPERTY (THIS AFFECTS STEP #9 TO #11 AND STEPS #13 TO #21). WHETHER SHARES ARE “CAPITAL PROPERTY” FOR TAX PURPOSES IS DIFFICULT TO DETERMINE IN CERTAIN CIRCUMSTANCES. FORMER TUSK SHAREHOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH ANY QUESTIONS CONCERNING THE JOINT TAX ELECTION.

- Step #8:** If you held your TUSK Class A Common Shares as capital property, insert an “x” in the “yes” box on page 2 of the Form T2057 for “Question #6”. If you did not hold your Class A Common Shares as capital property, insert an “x” in the “no” box on page 2 of the Form T2057. Whether such shares are capital property to a particular holder is a question of fact, which must be determined by each former TUSK Shareholder based on the consideration of all relevant circumstances.
- Step #9** Insert an “x” in the “no” box on page 2 of the Form T2057 for “Question #6(a)”.
- Step #10** Insert an “x” in the “no” box on page 2 of the Form T2057 for “Question #6(b)”.
- Step #11** The boxes for “Question #6(c)” on page 2 of the Form T2057 should be left blank.
- Step #12** Insert an “x” in the “no” box on page 2 of the Form T2057 for “Question #7”.
- Step #13** The boxes for “Question #7(a)” on page 2 of the Form T2057 should be left blank.
- Step #14** Insert an “x” in the “no” box on page 2 of the Form T2057 for “Question #8”.
- Step #15** Insert the following information in the boxes in the “Description of Shares Received” section on Page 2 of the Form T2057:
- Ⓢ total number of Exchangeable Shares you received,
 - Ⓢ Type of Shares – Exchangeable Shares,
 - Ⓢ Redemption Value per Share – Put “determined by formula”,
 - Ⓢ Paid-up Capital – to be determined by TUSK
 - Ⓢ Voting or Non-voting – insert “Non-Voting”, and
 - Ⓢ Are shares retractable – answer “yes”
- Step #16** On page 3 of the T2057 election form, complete the Capital Property section of the form based on the information obtained from the “Exchangeable Share Consideration” template completed above.
- Step #17** You (or the authorized representative if the former TUSK Shareholder is a corporation or other entity) should **sign on the line for the Transferor** located on page 5 of the T2057 election form. This is the signature line located on the left side of the page. **DO NOT sign on the second signature line on the right side of this page.**
- Step #18** Do not insert the date of this election. The authorized officer of TUSK will insert the appropriate date at the time TUSK executes the tax election.

Many of the calculations and determinations required to properly complete the joint tax election are complex. TUSK strongly advises all former TUSK Shareholders to seek professional assistance with respect to the preparation of both the joint tax election and the former TUSK Shareholders' related income tax returns.