

## ACQUISITION OF WEST ENERGY LTD.

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### IMPORTANT DATES AND LINKS

- Transaction closed May 12, 2010
- Transaction was taxable but 2 elections may be available to former West Shareholders to defer any capital gain or loss; refer to the “**Tax Election Information Package**” on our website [http://www.daylightenergy.com/index.php?page=2010\\_west\\_acquisition](http://www.daylightenergy.com/index.php?page=2010_west_acquisition).
- Partially completed Federal tax election form T2057 (“Joint Tax Election Form”) can be downloaded from our website [http://www.daylightenergy.com/index.php?page=2010\\_west\\_acquisition](http://www.daylightenergy.com/index.php?page=2010_west_acquisition).
- Federal tax election forms are also available from Canada Revenue Agency:
  - For individuals, corporations or trusts - **T2057**  
<http://www.cra-arc.gc.ca/E/pbg/tf/t2057/>
  - For partnerships - **T2058**  
<http://www.cra-arc.gc.ca/E/pbg/tf/t2058/>
- Completed and signed tax election forms must be **received** by Valiant Trust Company, Daylight’s Depository Agent, **no later than August 10, 2010**:

Valiant Trust Company  
Suite 310, 606 - 4th Street S.W.  
Calgary, Alberta  
T2P 1T1

Valiant Trust Company  
2950, 130 King Street West  
Toronto, Ontario  
M5X 1A9

- Daylight will sign and return one copy of the tax election form to the investor within 30 days of receipt (incomplete or unsigned forms will be returned to the investor).
- Filing deadline with Canada Revenue Agency is **November 13, 2010** (late filing penalties and interest may apply which are responsibility of the investor).

# Acquisition of West Energy Ltd. Frequently Asked Questions

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The following information is intended to provide general guidance on certain frequently asked questions of former shareholders of West Energy Ltd. (“West”) common shares (“West Shares”) in connection with the acquisition of West by Daylight Energy Ltd. (“Daylight”) completed on May 12, 2010. As such, the following information is qualified in its entirety, and West shareholders are urged to carefully review with their advisors the Management Information Circular and Proxy Statement (the “Circular”) of West dated April 8, 2010 ([http://www.sedar.com/CheckCode.do;jsessionid=0000WA5QSwDteGL82Lz5PM\\_jTQ:-1](http://www.sedar.com/CheckCode.do;jsessionid=0000WA5QSwDteGL82Lz5PM_jTQ:-1)), including, without limitation, the description of the Canadian Federal income tax considerations contained on pages 17 through 23 and the steps of the arrangement contained on pages A-49 through A-51 and the full text of the Plan of Arrangement (the “Arrangement”) contained within Appendix A of the Circular.

This summary information is of a general nature only and is not intended to be legal, investment or tax advice to any particular former holder of West Shares or any holder or potential holder of Daylight common shares (“Daylight Shares”). Moreover, the information provided below, and in the Circular, may not apply to all shareholders. Holders, former holders or potential holders of any of these securities are urged to consult with their own legal, investment and tax advisors as to their own particular circumstances and the consequences of the Arrangement to them.

***None of Daylight, West, or their respective successors, affiliates, advisors, agents, or employees will be responsible or liable for any taxes, interests, penalties, damages (whether direct or indirect) or expenses resulting from the failure by anyone to properly complete or file a Joint Tax Election in the form and manner and within the time prescribed by applicable tax laws.***

## 1. I have obtained a copy of the Federal tax election form. What do I do now?

Each West shareholder who is an “Eligible Shareholder” (refer to “*Who is an Eligible Shareholder?*” on page 6 of the Tax Election Information Package) is solely responsible for ensuring that the Federal tax election form is completed and filed with the Canada Revenue Agency (and any relevant provincial tax election forms are filed with the appropriate provincial authorities) by the applicable deadline. Refer to the Tax Election Information Package for information concerning the completion and filing of the Federal tax election form.

**2. What happened to my West Shares on May 12, 2010?**

On May 12, 2010, each common share of West was exchanged for either:

- i) 0.465 of a Daylight Share, or
- ii) a combination of 0.3356 of a Daylight Share and \$1.53 cash

depending on the election made by you or your agent specified in the “Letter of Transmittal and Election Form” submitted in respect of the Arrangement. If you did not submit such election, you are deemed to have elected to receive only Daylight Shares. For additional details of the Arrangement please refer to the Letter of Transmittal and Election Form:

<http://www.sedar.com/GetFile.do?lang=EN&docClass=13&issuerNo=00018134&fileName=/csfsprod/data106/filings/01562504/00000001/k%3A%5Cfilings%5Clivework%5Cwkout%5C27801%5Cletter.pdf>

**3. My wife and I own our West Shares together. Who should complete and sign the election form?**

The Federal tax election form should list all co-owners and provide their name, address, social insurance number (or business number) and taxation year. The Federal tax election form should be signed by the person designated by the co-owners to act on their behalf. All co-owners must authorize the person who signs the form on their behalf to do so in writing. Refer to “*West Shares Held in Co-ownership*” on page 8 of the Tax Election Information Package.

**4. How do I determine how many West Shares I owned before May 12, 2010?**

Your securities broker can provide you with this information.

**5. What was the fair market value of the West Shares I disposed of on May 12, 2010 and the consideration I received in return?**

There is no specific method prescribed by the Canada Revenue Agency for determining the fair market value of a share other than it must be done on a reasonable basis. We have provided a variety of market values for your reference.

Closing Price		
	West	Daylight
Trading Symbol	WTL	DAY
May 14, 2010	\$4.98	\$10.74
May 13, 2010	\$5.17	\$11.08
May 12, 2010	\$5.16	\$11.03
May 11, 2010	\$5.02	\$11.10
May 10, 2010	\$4.90	\$10.50
May 7, 2010	\$4.81	\$10.35
May 6, 2010	\$4.85	\$10.40

You should consult your own tax advisor to assist you in determining the fair market value if you have any doubt.

**6. How do I calculate the adjusted cost base (“ACB”) of my West Shares?**

The calculation of the ACB may be complex and it is the sole responsibility of each former West shareholder to calculate the ACB of their shares. The ACB of shares is generally based on the amount paid for the shares, subject to possible adjustment under certain circumstances (e.g. shares received from an estate, shares received on a tax-deferred exchange, etc.). If you have any doubt as to the ACB of your shares please consult your own tax advisor or your broker.

**7. Is there a fee for filing the Federal tax election form (or any relevant provincial tax election forms)?**

You are not required to pay any fees to file the Federal tax election form (or any relevant provincial tax election forms) provided the forms are filed prior to their due date. Otherwise, a late filing penalty may have to be remitted with the form(s) when filed. Any late filing penalties or interest are the sole responsibility of the former West shareholder.

**8. Will Daylight help me complete the Federal tax election form (or any relevant provincial tax election forms)?**

Each shareholder is responsible for completing his or her own Federal tax election form (and any relevant provincial tax election forms). On our website ([http://www.daylightenergy.com/index.php?page=2010\\_west\\_acquisition](http://www.daylightenergy.com/index.php?page=2010_west_acquisition)) Daylight has provided a Tax Election Information Package on how to complete the Tax Election and a partially completed Federal tax election form T2057 (“Joint Tax Election Form”). If you require further assistance you should consult your own tax advisor.

**9. What happens if I miss the August 10, 2010 deadline to submit my Federal (or provincial) election forms to Daylight?**

If you miss the deadline you may not be entitled to the benefits afforded by the tax election, as Daylight has no obligation to sign and submit a Federal tax election form (and any relevant provincial tax election forms).

**10. What happens if my Federal tax election form is incomplete when received by Daylight?**

If the forms are obviously incomplete, they will be returned unsigned. It will then be your responsibility to complete the form and resubmit them prior to August 10, 2010. Late filed Federal tax election forms (or any relevant provincial tax election forms) may be subject to late filing penalties. Any late filing penalties or interest are the sole responsibility of the former West shareholder.

**11. I filed the election and deferred all of the tax on the exchange of my West Shares. Do I have to report the exchange on my tax return for the period that includes the transaction on May 12, 2010?**

Yes. Even if you deferred any gain arising on the exchange you still disposed of your West Shares. Your proceeds of disposition for the purpose of filing your income tax return will normally be equal to the elected amount indicated on your tax election form provided such elected amount is within the parameters allowed under the *Income Tax Act* (Canada).

**12. I have completed and signed the Federal tax election form (and any relevant provincial tax election forms). What do I do next?**

Forward two (2) copies of each completed and signed election form to one of the addresses below prior to August 10, 2010:

Valiant Trust Company  
Suite 310, 606 - 4th Street S.W.  
Calgary, Alberta  
T2P 1T1

Valiant Trust Company  
2950, 130 King Street West  
Toronto, Ontario  
M5X 1A9

After receiving the completed election forms, Daylight will determine whether the forms appear to be complete. If the forms are complete and have been signed by the former West shareholder, Daylight or its successor will sign the forms and forward one copy to the Canada Revenue Agency. The second copy of any election forms will be signed by an authorized representative of Daylight and returned to the former West shareholder via the address on the election form.

As noted above, any forms that are obviously incomplete or unsigned will be returned to the shareholder unsigned, and must be resubmitted prior to August 10, 2010.