

**September 2004**

**To: Former Holders of Common Shares of Zargon Oil & Gas Ltd. ("Zargon") who Exchanged their Common Shares for Exchangeable Shares on July 15, 2004:**

**TAX INSTRUCTION LETTER - SEPTEMBER 2004**

This tax instruction letter is for use by former holders of Common Shares of Zargon Oil & Gas Ltd. who exchanged their common shares for Exchangeable Shares on July 15, 2004 pursuant to the Plan of Arrangement Information Circular dated June 18, 2004 (the Circular"). Capitalized terms not defined in this letter have the meaning assigned to them in the Circular.

A beneficial owner of Zargon Shares (a "Zargon Shareholder") who disposed of such shares to Zargon AcquisitionCo Inc. ("AcquisitionCo") and received consideration that included exchangeable shares of AcquisitionCo ("Exchangeable Shares") as part of the Arrangement may be able to defer some or all of any tax otherwise arising upon such disposition under the *Income Tax Act* (Canada) (the "Tax Act") by making a tax election with AmalgamationCo (on behalf of AcquisitionCo) under subsection 85(1) of the Tax Act or, in the case of a Zargon Shareholder that is a partnership, under subsection 85(2) of the Tax Act (in either case, a "Tax Election"). The procedure for making a Tax Election (the "Tax Election Procedure") is discussed herein and in the Circular under the heading "Canadian Federal Income Tax Considerations".

*Note: AcquisitionCo and AmalgamationCo were created by Zargon to facilitate the conversion to a trust. AcquisitionCo was later amalgamated with the former Zargon Oil & Gas Ltd. and Zargon Resources Ltd. to form AmalgamationCo. The newly amalgamated company will now operate as "Zargon Oil & Gas Ltd".*

This Tax Election Package contains two copies of Canada Revenue Agency ("CRA") Form T2057 (or, in the event that the Zargon Shares are held as partnership property, as indicated on your Letter of Transmittal and Election Form or by you when you otherwise requested the Tax Election Package, CRA Form T2058). Additional copies of the relevant Canadian federal tax election forms may be obtained by contacting the CRA or from their website ([www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)).

AmalgamationCo (on behalf of AcquisitionCo) will make a Tax Election only with a Zargon Shareholder who is an "Eligible Holder". An Eligible Holder is a shareholder who:

- is (i) a resident of Canada for purposes of the Tax Act, other than a person who is exempt from tax under the Tax Act (such as air RRSP, RRIF, RESP or pension plan), or (ii) a partnership that is a Canadian partnership for the purposes of the Tax Act;
- has properly completed and executed the required tax election forms (two copies of CRA Form T2058 for partnerships, two copies of CRA Form T2057 for all other Zargon Shareholders, and two copies of any applicable provincial or territorial election forms (the "Tax Election Forms")); and

- has ensured the receipt of the completed Tax Election Forms by AmalgamationCo on or before November 12, 2004 (the date that is 120 days following the Effective Date of the Arrangement) at:

Zargon Oil & Gas Ltd.  
700, 333 – 5<sup>th</sup> Ave. S.W.  
Calgary, Alberta T2P 3B6

Attention: Sheila Wares

**The Offeror is not required to make a Tax Election with anyone who is not an Eligible Holder.**

**These instructions are of a general nature only and are not intended to be (nor should they be construed to be) legal or tax advice to any particular Zargon Shareholder concerning the Tax Election or the Tax Election Procedure. Further, apart from providing these materials to Shareholders for their convenience, Zargon is not able to provide Zargon Shareholders with any advice on making the Tax Election. Accordingly, Zargon Shareholders should consult with their own tax advisors for specific advice in respect of whether to make a Tax Election, making the Tax Election and complying with the Tax Election Procedure having regard to their own particular circumstances.**

**Please review the enclosed forms very carefully and consult your tax advisor as to their proper completion and delivery and any filing deadlines. You are also advised to review Information Circular 76-19R3 and Interpretation Bulletin IT-291R3 issued by the CRA for information in respect of the Tax Election.**

In order to achieve a deferral of tax in some provinces or territories similar to that resulting from the Tax Election, it may be necessary to file a separate copy of the Tax Election or a separate provincial or territorial tax election analogous to the Tax Election with the taxing authority of such province or territory. AmalgamationCo (on behalf of AcquisitionCo) will also make such a provincial or territorial tax election with an Eligible Holder under the same conditions that it is willing to make the Tax Election. Zargon Shareholders are entirely responsible for determining whether any such separate federal, provincial or territorial election is applicable and appropriate in their circumstances and (if so) obtaining, completing and forwarding the related forms to AmalgamationCo (at the address listed above) for execution by AmalgamationCo (on behalf of AcquisitionCo).

AmalgamationCo will assume that any representative that signs the Tax Election Forms on behalf of a corporation, trust or estate has been duly authorized to do so, and will not take any action to verify the validity of any such authorization. Zargon Shareholders that are corporations, trusts or estates should consult their own legal advisors in determining whether such authorization has been properly given.

**In order to make a Tax Election, two copies of the applicable Tax Election Forms must be signed and properly completed with the necessary information, including the number of Zargon Shares transferred, the consideration received therefore and the applicable elected amounts for the purposes of such elections and must be received by AmalgamationCo (now Zargon Oil & Gas Ltd.) at the address stated above no later than November 12, 2004.** AmalgamationCo will execute any properly completed Tax Election Forms submitted to it by an Eligible Holder in the time and manner specified herein, and will mail them to the Eligible Holder within 60 days after their receipt. The proper filing of the Tax Election Forms with the relevant tax authority is the sole responsibility of the Eligible Holder.

In order for the CRA to accept a Tax Election without a late filing penalty, the Tax Election must be received by the CRA on or before the earlier of the days on which either AcquisitionCo or the Eligible Holder is required to file an income tax return for the taxation year in which the exchange occurs. AcquisitionCo's tax return for that taxation year is scheduled to be due no later than January 14, 2005. Thus, in the case of an Eligible Holder who is an individual with a December 31 taxation year, you must generally ensure that the Tax Election is received by the applicable taxation office by January 14, 2005. Eligible Holders are urged to consult their own advisors as soon as possible with respect to the deadlines applicable in their own particular circumstances.

However, regardless of such due date, in order to make a Tax Election an Eligible Holder must ensure that the appropriate Tax Election Forms, duly completed and signed by the Eligible Holder, are received by AmalgamationCo at the address noted above on or before November 12, 2004 for execution by AmalgamationCo (on behalf of AcquisitionCo).

AmalgamationCo is not required to sign Tax Election Forms received after November 12, 2004 and thus any Eligible Holder who does not ensure that AmalgamationCo has received the completed Tax Election Forms, each containing an original signature of the Eligible Holder, on or before November 12, 2004, may not be able to benefit from the elections.

### **Estimates of Fair Market Value**

Under the Arrangement, a holder of Zargon common shares received Notes or Exchangeable Shares or a combination thereof for their Zargon common shares. Based on the five day weighted average trading price of the Zargon common shares prior to the effective date of the Arrangement (\$17.67 per share), the Trust has determined the value of each Note or Exchangeable Share was \$17.67

Since the determination of fair market value is a question of fact, neither the Canada Revenue Agency nor any other tax authority will be bound by the views of the Trust as expressed above. Consequently, former holders of Zargon common shares should seek independent advice regarding the value of the consideration received by them pursuant to the Arrangement.

**Procedure for Completing Prescribed Form T2057**

The following section illustrates the information required to be provided by an Eligible Holder completing form T2057. Please consult your advisor on the completion of any additional Prescribed Forms (such as Form T2058 and any applicable provincial tax forms). The information should be typed or legibly printed on the Prescribed Forms. **Do not write the 'required information on this letter of instructions.**

Page 1 of Form T2057

Complete the information in this first box for the Eligible Holder making the election:

Name of Taxpayer (print)	Social Insurance or Corporate Account Number/Business Number	
Address	Postal Code	Tax Services Office
Taxation Year of Taxpayer For the period _____, 20__ to _____, 20__.		

The address inserted by the Eligible Holder in the above box is the address to which the election form will be returned after AmalgamationCo (on behalf of AcquisitionCo) has signed the election form.

The taxation year for individuals is January 1, 2004 to December 31, 2004.

Complete the information in this box if the Zargon Shares are held in joint ownership; otherwise enter "N/A"

Name of Co-Owner(s), if any, (if more than one, attach schedule in like detail)	Social Insurance Number	
Address	Postal Code	Tax Services Office

AmalgamationCo will complete the next section:

Name of Corporation (Transferee)	Account Number/Business Number	
Zargon AcquisitionCo Inc.	855856274	
Address	Postal Code	Tax Services Office
700, 333 - 5 <sup>th</sup> Ave. S.W., Calgary, AB	T2P 3B6	
Taxation Year of Taxpayer For the period June 3, 2004 to July 15, 2004.		

Complete the next section, by filling in your name and telephone number or, if appropriate, the name and telephone number of your tax advisor:

Name of Persons to Contact for Additional Information	Area Code	Telephone Number
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The last section of page 1 of Form T2057 relates to late filed elections and is Eligible Holders whose elections will be filed late.

Page 2 of Form T2057

AmalgamationCo will complete the answers to the first five questions as follows:

- Is there a written agreement relating to this transfer (Pursuant to the "Offer") .....  No  Yes
- Is a price adjustment clause involved in respect of any of the properties? (Refer to current Interpretation Bulletin IT-169 for details) .....  No  Yes
- Do any persons other than the taxpayer own or control directly or indirectly any shares of any class of the transferee? .....  No  Yes
- Where a non-arm's length intercorporate rollover exists, have all or substantially all (90% or more) of all the properties of the taxpayer been transferred to the corporation?.....  No N/A  Yes
- Is the taxpayer a non-resident of Canada? .....  No  Yes

Eligible Holders should answer the following questions based on their particular circumstances:

- Are any of the properties transferred capital properties? .....  No  Yes



Whether the Zargon Shares are capital properties to a particular Eligible Holder is a question of fact and law that must be determined by each Eligible Holder based on a consideration of all the relevant facts and circumstances.

If Yes,

- (a) have they been owned continuously since Valuation Day (V-Day – Dec 31,1971)? .....  No  Yes
- (b) have they been acquired after V-Day in a transaction considered not to be at arm's length? .....  No  Yes



Eligible Holders who hold their Zargon Shares as capital property and acquired their Zargon Shares in an arm's length transaction should check "No".

- (c) since V-Day, has the taxpayer or any person from whom, shares were acquired in a non-arm's length transaction received any subsection 83(1) dividends with respect to the shares transferred? (if yes, provide details of amounts and dates received and attach as a schedule).....  No  Yes

Is the agreed amount of any of the properties transferred based on an estimate of the fair market value on V-Day?.....  No  Yes

If "Yes" does a formal documented V-Day value report exist? .....  No  Yes

Has an election under subsection 26(7) of the Income Tax Act Application Rules (form T2076) been filed by or on behalf of the taxpayer? .....  No  Yes

The next section is not applicable and therefore AmalgamationCo will complete the next section as follows:

Where shares of the capital stock of a private corporation are included in the property disposed of, provide the following:

Name of Corporation	Account Number/Business Number	Paid-up capital of shares transferred
N / A		

Eligible Holders must complete the information in the two blank boxes in the next section, as follows:

Number of Shares Transferor Received	Class of Shares	Redemption Value Per Share	Paid-Up Capital	Voting or Non-Voting	Are Shares Retractable?
	Exchangeable shares of Zargon AcquisitionCo Inc.	N/A		Non-Voting	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Enter the number of Exchangeable Shares received by the Eligible Holder on the sale.

The amount added to paid-up capital will generally be equal to the "agreed amount" (discussed below) less the fair market value at July 15, 2004 of the Notes and Ancillary Rights received.<sup>(1)</sup>

Page 3 of Form T2057

AmalgamationCo will insert the date on which it took up and paid for the Zargon Shares in the following section:

Date of sale or transfer of all properties listed below:	Day	Month	Year
	15	July	2004

Note:

(1) Based on the Weighted Average Trading Price of the Zargon Shares for the purposes of the Arrangement, AmalgamationCo has determined that the value of each Note was \$17.67 and that the Ancillary Rights have only nominal value. However, the determination of fair market value is a question of fact and such determinations of value are not binding on the CRA.

Complete the information in this section according to the instructions following:

Property Disposed of			Agreed Amount B	Amount to be reported B-A if >0 (see note 4)	Consideration Received		
Elected Amount Limits		Description			Non-share	Share	Fair Market Value
Description (Brief Legal)	Fair Market Value				A	Number and Class	
(1)	\$ (2)	\$ (3)	\$ (4)	\$ (5)	(6)	(7)	\$ (8)
____ Common Shares of Zargon Oil & Gas Ltd.					____ Notes of Zargon AcquisitionCo Inc.	____ Zargon AcquisitionCo Inc. Exchangeable Shares	

Capital Property Excluding Depreciable Property

Complete this section if the Zargon Shares are capital property; if the Zargon Shares are inventory, complete the section with the sidebar entitled "Inventory Excluding Real Property" in a similar manner.

- (1) Enter the number of Zargon Shares sold and their description as "Common Shares of Zargon Oil & Gas Ltd."
- (2) Enter the total fair market value of Zargon Shares sold, at the time of sale.
- (3) Enter the adjusted cost base (or cost amount in the case of inventory) of the Zargon Shares.
- (4) See the rules described below with respect to calculation of the agreed amount.
- (5) Subtract B - A.
- (6) Enter the fair market value at July 15, 2004 of the Notes and Ancillary Rights received.
- (7) Enter the number of Exchangeable Shares received.
- (8) Enter the total fair market value as at July 15, 2004 of the Notes/Ancillary Rights and the Exchangeable Shares received. The amount entered here should equal the amount described in (2) above.

Rules with Respect to Calculation of Agreed Amount

Subject to the rules set out below, Eligible Holders who wish to avoid a capital gain must elect an agreed amount equal to the adjusted cost base (or cost amount, if the Zargon Shares are inventory) of the Zargon Shares. The agreed amount must be determined in accordance with the following rules:

- (1) The agreed amount may not be less than the fair market value at July 15, 2004 of the Trust Unit Consideration and Ancillary Rights received.
- (2) The agreed amount may not be less than the lesser of the adjusted cost base (or cost amount, if the Zargon Shares are inventory) to the Eligible Holder of the Eligible Holder's Zargon Shares sold, determined immediately before the time of the sale, and the fair market value of the Zargon Shares at that time.
- (3) The agreed amount may not exceed the fair market value of the Zargon Shares at the time of the sale.

**Eligible Holders should consult their tax advisors regarding the selection of the agreed amount in respect of their Zargon Shares .**

The Eligible Holder must sign in the last box as indicated:

ELECTION AND CERTIFICATION		
The taxpayer and corporation hereby jointly elect under subsection 85(1) in respect of the property specified, and certify that the information given in this election, and in any documents attached, is to the best of their knowledge, correct and complete.		
_____ Signature of Transferor of Authorized Officer or Authorized Person*	_____ Signature of Authorized Officer or Transferee	_____ Date
* attain a copy of an authorizing agreement		

↓  
Eligible Holder should sign here.

↓  
Leave this space blank for the authorized signature of AmalgamationCo (on behalf of AcquisitionCo).

- (4) Completion of Form T2058 and/or any applicable provincial tax forms.

Eligible Holders completing Form T2058 and/or any applicable provincial tax forms (such as TP-518V or TP-529V) may refer to the instructions set out above, although the order of presentation of the information on the other forms may differ from that of Form T2057 and some of the required information may be different.



## ELECTION ON DISPOSITION OF PROPERTY BY A TAXPAYER TO A TAXABLE CANADIAN CORPORATION

- For use by a taxpayer and a taxable Canadian corporation to jointly elect under subsection 85(1) where the taxpayer has disposed of eligible property within the meaning of subsection 85(1.1) to the corporation and has received as consideration shares of any class in that corporation.
- File one completed copy of the election and related schedules (if any) as follows:
  - 1- a) one copy by the transferor.  
b) two or more copies as follows; Where two or more transferors elect regarding the transfer of the same property (co-ownership) or two or more members of the same partnership elect for the transfer of their partnership interests, one transferor designated for the purpose should file simultaneously one copy for each transferor, together with a list of all transferors electing. This list should contain the address and Social insurance number or Business Number of each transferor;
  - 2- on or before the **earlier date** on which any one of the parties to the election is required to file an income tax return for the taxation year in which the transaction occurred, taking into consideration any election under subsection 99(2) (due date);
  - 3- at the tax centre where the transferor's income tax return is normally filed. Where two or more co-owners or members of a partnership referred to above elect, the elections will be processed in bulk and should be filed at the tax centre of the transferee; and
  - 4- separate from any tax returns. You may put it in the same envelope with a return, but do not insert it in or attach it to the return.
- Sections and subsections referred to on this form are from the *Income Tax Act*.

**Do not use this area**

Name of taxpayer (transferor) (print)						Social insurance number or Business Number					
Address						Postal code					
Taxation year of taxpayer for the period from		Year	Month	Day	to	Year	Month	Day	Tax services office		

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

Name of corporation (transferee) (print)						Business Number					
Zargon AcquisitionCo Inc.						8 5 5 8 5 6 2 7 4					
Address						Postal code					
700, 333 - 5th Ave. S.W., Calgary, AB						T2P 3B6					
Taxation year of corporation for the period from		Year	Month	Day	to	Year	Month	Day	Tax services office		
		2004	06	03		2004	07	15	Calgary, Alberta		
Name of person to contact for additional information						Area code		Telephone number			

### Penalty for late-filed and amended elections

An election that is filed after its due date is subject to a late-filing penalty. Form T2057 can be filed within 3 years after its due date if an estimate of the penalty is paid at the time of filing. Form T2057 can be amended or filed after the 3-year period, but in these situations, attach both an estimate of the penalty and a written submission for consideration, explaining the reason why the election is amended or late.

Calculation of late-filing penalty:

Fair market value of property transferred . . . . .	_____	
Less: agreed amount . . . . .	_____	
Difference . . . . .	0.00	A
Amount A x 1/4 x 1% x N* ( N* ) . . . =	0.00	B
\$100 x N* . . . . . =	0.00	C

\*N represents the sum of each month or each part of a month in the period from the due date to the actual filing date. Amount C cannot exceed \$8,000.

Late-filing penalty is the lesser of B and C above . . . . . 0.00

Make cheque or money order payable to the Receiver General. Specify "T2057" on the remittance and, to ensure proper credit, please indicate the name and social insurance number of the taxpayer, or Business Number if a

**Do not use this area**

**Amount enclosed** \_\_\_\_\_

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

**Information required**

On the following page, list, describe, and state the fair market value of transferred properties. The description and fair market value of the consideration received has to be shown opposite the related property transferred. Where the transferred property is a partnership interest, attach a schedule of the calculation of the adjusted cost base. If space on the form is insufficient, attach schedules giving similar details. You have to designate the order of disposition of each depreciable property. With this election you do not have to file the following materials: schedules supporting this designation, documentation relating to the responses to the questions below, and a brief summary of the method of evaluating the fair market value of each property transferred. However, you have to keep them as the Canada Customs and Revenue Agency may ask to see them at a later date.

- 1- Is there a written agreement relating to this transfer?  yes  no
- 2- Does a price adjustment clause apply to any of the properties? (See the Interpretation Bulletin IT-169 for details.)  yes  no
- 3- Do any persons other than the taxpayer own or control directly or indirectly any shares of any class of the transferee?  yes  no
- 4- Where a non-arm's length rollover exists between 2 or more corporations, have all or substantially all (90% or more) of all the properties of the corporation(s) been transferred to the recipient corporation?  yes  no
- 5- Is the taxpayer a non-resident of Canada?  yes  no
- 6- Are any of the properties transferred capital properties?  yes  no
  - If yes
    - a) have they been owned continuously since Valuation Day (V-Day)?  yes  no
    - b) have they been acquired after V-Day in a transaction considered not to be at arm's length?  yes  no
    - c) since V-Day, has the taxpayer or any person from whom shares were acquired in a non-arm's length transaction received any subsection 83(1) dividends for transferred shares? (If yes, provide details of amounts and dates received and attach a schedule.)  yes  no
- 7- Is the agreed amount of any of the transferred properties based on an estimate of fair market value on V-Day?  yes  no
  - a) If yes, does a formal documented V-Day value report exist?  yes  no
- 8- Has an election under subsection 26(7) of the *Income Tax Application Rules* (Form T2076) been filed by or on behalf of the taxpayer?  yes  no

Where shares of the capital stock of a private corporation are included in the property disposed of, provide the following:

Name of corporation (print)	Business Number	Paid-up capital of shares transferred
n/a		

**Description of shares received**

Number of shares transferor received	Class of shares	Redemption value per share	Paid-up capital	Voting or non-voting	Are shares Retractable? *
	Exch shares			non-voting	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
					<input type="checkbox"/> yes <input type="checkbox"/> no
					<input type="checkbox"/> yes <input type="checkbox"/> no
					<input type="checkbox"/> yes <input type="checkbox"/> no
					<input type="checkbox"/> yes <input type="checkbox"/> no

\*Retractable means redeemable at the option of the holder.

**Informative notes**

- The rules for section 85 elections are complex. Essential information is contained in Information Circular 76-19 and Interpretation Bulletins IT-169, IT-172, IT-291, and IT-378.
- For this election to be considered valid, you have to complete all the information areas and answer all questions. If incomplete, the Canada Customs and Revenue Agency will consider the election invalid, and subsequent submissions will be subject to a late-filing penalty.
- **If agreed amount exceeds the adjusted cost base of the property in the election, you must report the difference as a capital gain, as income or a combination of both, whichever applies.**

**Particulars of Eligible Property Disposed of and Consideration Received**

Date of sale or transfer of all properties listed below:		Year	Month	Day	Note: For properties sold or transferred on different dates, use separate T2057s.			
		2004	07	15				
Property Disposed of	Description	Elected Amount Limits		Agreed Amount B	Amount to be reported B-A If > 0 see Note 4	Consideration Received		
		Fair Market Value \$	A \$			Non-share	Share	Fair Market Value of Total consideration
						Description	Number and Class	
Capital Property Excluding Depreciable Property	(Brief legal)		(See Note 1)		0			
					0			
						0		
Depreciable Property	(Description and prescribed Class)		(See Note 2)		0			
					0			
Eligible Capital Property	(Kind)		(See Note 3)		0			
					0			
Inventory Excluding Real Property	(Kind)		(Cost Amount)		0			
					0			
Resource Property	(Brief legal)		NIL		0			
			NIL		0			
Security or Debt Obligation Property	(Description)		(Cost Amount)		0			
					0			
Specified Debt Obligation (For financial institutions only)					0			
					0			
Capital Property That is Real Property Owned by a Non-Resident Person					0			
					0			
Nisa Fund No. 2					0			

Note 1: Adjusted cost base (which is subject to adjustment per section 53).  
 Note 2: The lesser of undepreciated capital cost of all property of the class and the cost of the property.  
 Note 3: The lesser of 4/3 x cumulative eligible capital and the cost of the property. Use "2" instead of "4/3" for dispositions occurring in taxation years commencing before July 1, 1988, in the case of a corporation or for dispositions occurring in fiscal periods commencing before January 1, 1988, in any other case.  
 Note 4: This amount is to be reported either as a capital gain or as income, whichever applies. Also, in the case of depreciable property and eligible capital property, a portion of the amount may have to be reported as a capital gain while another portion may have to be reported as income.  
 Refer to current Interpretation Bulletin IT-291 for more information on eligible property and an explanation of the limits.

**Election and Certification**

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

\_\_\_\_\_  
 Signature of Transferor of **Authorized Officer** or Authorized Person\*      **and**      \_\_\_\_\_  
 Signature of **Authorized Officer** of Transferee      \_\_\_\_\_  
 \_\_\_\_\_  
 Date

\* Attach a copy of authorizing agreement



ELECTION ON DISPOSITION OF PROPERTY BY A TAXPAYER TO A TAXABLE CANADIAN CORPORATION

- For use by a taxpayer and a taxable Canadian corporation to jointly elect under subsection 85(1) where the taxpayer has disposed of eligible property within the meaning of subsection 85(1.1) to the corporation and has received as consideration shares of any class in that corporation.
File one completed copy of the election and related schedules (if any) as follows:
1- a) one copy by the transferor.
b) two or more copies as follows; Where two or more transferors elect regarding the transfer of the same property (co-ownership) or two or more members of the same partnership elect for the transfer of their partnership interests, one transferor designated for the purpose should file simultaneously one copy for each transferor, together with a list of all transferors electing. This list should contain the address and Social insurance number or Business Number of each transferor;
2- on or before the earlier date on which any one of the parties to the election is required to file an income tax return for the taxation year in which the transaction occurred, taking into consideration any election under subsection 99(2) (due date);
3- at the tax centre where the transferor's income tax return is normally filed. Where two or more co-owners or members of a partnership referred to above elect, the elections will be processed in bulk and should be filed at the tax centre of the transferee; and
4- separate from any tax returns. You may put it in the same envelope with a return, but do not insert it in or attach it to the return.
Sections and subsections referred to on this form are from the Income Tax Act.

Do not use this area

Name of taxpayer (transferor) (print) Social insurance number or Business Number
Address Postal code
Taxation year of taxpayer for the period from Year Month Day to Year Month Day Tax services office

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

Name of corporation (transferee) (print) Business Number
Zargon AcquisitionCo Inc. 8 5 5 8 5 6 2 7 4
Address Postal code
700, 333 - 5th Ave. S.W., Calgary, AB T2P 3B6
Taxation year of corporation for the period from Year Month Day to Year Month Day Tax services office
2004 06 03 to 2004 07 15 Calgary, Alberta
Name of person to contact for additional information Area code Telephone number

Penalty for late-filed and amended elections

An election that is filed after its due date is subject to a late-filing penalty. Form T2057 can be filed within 3 years after its due date if an estimate of the penalty is paid at the time of filing. Form T2057 can be amended or filed after the 3-year period, but in these situations, attach both an estimate of the penalty and a written submission for consideration, explaining the reason why the election is amended or late.

Calculation of late-filing penalty:

Table with 3 rows: Fair market value of property transferred, Less: agreed amount, Difference (0.00 A), Amount A x 1/4 x 1% x N\* (N\* ) .. = (0.00 B), \$100 x N\* = (0.00 C)

\*N represents the sum of each month or each part of a month in the period from the due date to the actual filing date. Amount C cannot exceed \$8,000.

Late-filing penalty is the lesser of B and C above 0.00

Make cheque or money order payable to the Receiver General. Specify "T2057" on the remittance and, to ensure proper credit, please indicate the name and social insurance number of the taxpayer, or Business Number if a

Amount enclosed

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

Do not use this area

**Information required**

On the following page, list, describe, and state the fair market value of transferred properties. The description and fair market value of the consideration received has to be shown opposite the related property transferred. Where the transferred property is a partnership interest, attach a schedule of the calculation of the adjusted cost base. If space on the form is insufficient, attach schedules giving similar details. You have to designate the order of disposition of each depreciable property. With this election you do not have to file the following materials: schedules supporting this designation, documentation relating to the responses to the questions below, and a brief summary of the method of evaluating the fair market value of each property transferred. However, you have to keep them as the Canada Customs and Revenue Agency may ask to see them at a later date.

- 1- Is there a written agreement relating to this transfer?  yes  no
- 2- Does a price adjustment clause apply to any of the properties? (See the Interpretation Bulletin IT-169 for details.)  yes  no
- 3- Do any persons other than the taxpayer own or control directly or indirectly any shares of any class of the transferee?  yes  no
- 4- Where a non-arm's length rollover exists between 2 or more corporations, have all or substantially all (90% or more) of all the properties of the corporation(s) been transferred to the recipient corporation?  yes  no
- 5- Is the taxpayer a non-resident of Canada?  yes  no
- 6- Are any of the properties transferred capital properties?  yes  no
  - If yes
    - a) have they been owned continuously since Valuation Day (V-Day)?  yes  no
    - b) have they been acquired after V-Day in a transaction considered not to be at arm's length?  yes  no
    - c) since V-Day, has the taxpayer or any person from whom shares were acquired in a non-arm's length transaction received any subsection 83(1) dividends for transferred shares? (If yes, provide details of amounts and dates received and attach a schedule.)  yes  no
- 7- Is the agreed amount of any of the transferred properties based on an estimate of fair market value on V-Day?  yes  no
  - a) If yes, does a formal documented V-Day value report exist?  yes  no
- 8- Has an election under subsection 26(7) of the *Income Tax Application Rules* (Form T2076) been filed by or on behalf of the taxpayer?  yes  no

Where shares of the capital stock of a private corporation are included in the property disposed of, provide the following:

Name of corporation (print)	Business Number	Paid-up capital of shares transferred
n/a		

**Description of shares received**

Number of shares transferor received	Class of shares	Redemption value per share	Paid-up capital	Voting or non-voting	Are shares Retractable? *
	Exch shares			non-voting	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
					<input type="checkbox"/> yes <input type="checkbox"/> no
					<input type="checkbox"/> yes <input type="checkbox"/> no
					<input type="checkbox"/> yes <input type="checkbox"/> no
					<input type="checkbox"/> yes <input type="checkbox"/> no

\*Retractable means redeemable at the option of the holder.

**Informative notes**

- The rules for section 85 elections are complex. Essential information is contained in Information Circular 76-19 and Interpretation Bulletins IT-169, IT-172, IT-291, and IT-378.
- For this election to be considered valid, you have to complete all the information areas and answer all questions. If incomplete, the Canada Customs and Revenue Agency will consider the election invalid, and subsequent submissions will be subject to a late-filing penalty.
- **If agreed amount exceeds the adjusted cost base of the property in the election, you must report the difference as a capital gain, as income or a combination of both, whichever applies.**

**Particulars of Eligible Property Disposed of and Consideration Received**

Date of sale or transfer of all properties listed below:		Year	Month	Day	Note: For properties sold or transferred on different dates, use separate T2057s.			
		2004	07	15				
Property Disposed of	Description	Elected Amount Limits		Agreed Amount B	Amount to be reported B-A If > 0 see Note 4	Consideration Received		
		Fair Market Value \$	A \$			Non-share	Share	Fair Market Value of Total consideration
						Description	Number and Class	
Capital Property Excluding Depreciable Property	(Brief legal)		(See Note 1)		0			
					0			
						0		
Depreciable Property	(Description and prescribed Class)		(See Note 2)		0			
					0			
Eligible Capital Property	(Kind)		(See Note 3)		0			
					0			
Inventory Excluding Real Property	(Kind)		(Cost Amount)		0			
					0			
Resource Property	(Brief legal)		NIL		0			
			NIL		0			
Security or Debt Obligation Property	(Description)		(Cost Amount)		0			
					0			
Specified Debt Obligation (For financial institutions only)					0			
					0			
Capital Property That is Real Property Owned by a Non-Resident Person					0			
					0			
Nisa Fund No. 2					0			

Note 1: Adjusted cost base (which is subject to adjustment per section 53).  
 Note 2: The lesser of undepreciated capital cost of all property of the class and the cost of the property.  
 Note 3: The lesser of 4/3 x cumulative eligible capital and the cost of the property. Use "2" instead of "4/3" for dispositions occurring in taxation years commencing before July 1, 1988, in the case of a corporation or for dispositions occurring in fiscal periods commencing before January 1, 1988, in any other case.  
 Note 4: This amount is to be reported either as a capital gain or as income, whichever applies. Also, in the case of depreciable property and eligible capital property, a portion of the amount may have to be reported as a capital gain while another portion may have to be reported as income.  
 Refer to current Interpretation Bulletin IT-291 for more information on eligible property and an explanation of the limits.

**Election and Certification**

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

\_\_\_\_\_  
 Signature of Transferor of **Authorized Officer** or Authorized Person\*      **and**      \_\_\_\_\_  
 Signature of **Authorized Officer** of Transferee      \_\_\_\_\_  
 \_\_\_\_\_  
 Date

\* Attach a copy of authorizing agreement