

*This document is important and requires your immediate attention. If you are in doubt as to how to deal with it, you should consult your investment dealer, stockbroker, bank manager, lawyer or other professional advisor.*

*The Offer (as defined below) has not been approved by any securities regulatory authority nor has any securities regulatory authority passed upon the fairness or merits of the Offer or upon the adequacy of the information contained in this document. Any representation to the contrary is an offence.*

July 17, 2008



## **OFFER TO PURCHASE FOR CASH**

**all of the common shares of**

**DUVERNAY OIL CORP.**

**for**

**\$83.00 for each Common Share**

**by**

**BRS GAS CORP.,**

**a wholly-owned subsidiary of**

**SHELL CANADA LIMITED**

The offer (the “**Offer**”) by BRS Gas Corp. (the “**Offeror**”), a wholly-owned subsidiary of Shell Canada Limited (“**Shell Canada**”), to purchase all of the common shares (the “**Shares**”) in the capital of Duvernay Oil Corp. (“**Duvernay**”), including Shares issuable upon the exercise of any Options (as defined below) or other securities of Duvernay, will be open for acceptance until 1:01 a.m. (Calgary time) on August 22, 2008 (the “**Expiry Time**”), unless withdrawn or extended.

**The board of directors of Duvernay, (i) has UNANIMOUSLY determined that the consideration to be received by Shareholders under the Offer is fair, from a financial point of view, to the Shareholders, (ii) has unanimously determined that the Offer is in the best interests of Duvernay and the Shareholders, and (iii) unanimously RECOMMENDS that Shareholders ACCEPT the Offer and TENDER their Shares to the Offer.**

The Shares are listed for trading on the Toronto Stock Exchange (the “**TSX**”) under the symbol “**DDV**”. On July 11, 2008, the last trading day prior to the announcement of the Offer, the closing price on the TSX of the Shares was \$58.44. The Offer represents a premium of approximately 42% over the closing price of the Shares on the last trading day immediately preceding the announcement of the Offer and a premium of approximately 36% over the volume weighted average trading price of the Shares on the TSX for the 30 trading days immediately preceding the announcement of the Offer.

*(cover continued on the following page)*

**The Offer is made only for the Shares and is not made for any options or other rights, if any, to purchase or to receive in exchange Shares. Any holder of such options or other rights (including holders of Options) who wishes to accept the Offer must, to the extent permitted thereby and hereby, exercise the options or otherwise convert the rights in order to obtain certificates representing Shares and deposit such Shares in accordance with the terms of the Offer. See “Notice to Optionholders”.**

The Offer is conditional upon, among other things, there being validly deposited under the Offer and not withdrawn, at the Expiry Time, and at the time the Offeror first takes up and pays for the Shares under the Offer, at least 66⅔% of the outstanding Shares (calculated on a fully-diluted basis). This condition and the other conditions to the Offer are described under Section 4 of the Offer, “Conditions of the Offer”.

Peters & Co. Limited acted as exclusive financial advisor to Duvernay and has provided the board of directors of Duvernay with a written fairness opinion dated July 14, 2008 (the “**Fairness Opinion**”) stating that, as of the date thereof, the consideration to be received by holders of Shares pursuant to the Offer is fair, from a financial point of view, to the holders of Shares.

On July 14, 2008, Duvernay entered into a pre-acquisition agreement (the “**Pre-Acquisition Agreement**”) with Shell Canada. The Pre-Acquisition Agreement sets forth the terms and conditions upon which the Offer is to be made. Pursuant to the Pre-Acquisition Agreement, Duvernay has agreed to support the Offer and not to solicit any competing Acquisition Proposals (as defined herein). See Section 4 of the Circular, “Agreements Related to the Offer”.

In connection with the Offer, all of the directors and officers of Duvernay (the “**Supporting Shareholders**”) have entered into lock-up agreements (each a “**Lock-up Agreement**”) with Shell Canada pursuant to which they have agreed to tender and not withdraw, except in certain circumstances, the Shares beneficially owned by such Shareholders and any Shares they shall acquire pursuant to the exercise of Options. The Supporting Shareholders collectively hold 10,825,057 Shares and 1,355,000 Options or approximately 18.1% of the issued and outstanding Shares of Duvernay calculated on a fully-diluted basis. See Section 4 of the Circular, “Agreements Related to the Offer — Lock-up Agreements”.

Shareholders who wish to accept the Offer must properly complete and duly execute the accompanying Letter of Acceptance and Transmittal (printed on **YELLOW** paper) or a manually-signed facsimile thereof and deposit it, together with certificates representing their Shares, if applicable, and all other documents required by the applicable Letter of Acceptance and Transmittal, at the office of CIBC Mellon Trust Company (the “**Depository**”) shown on the Letter of Acceptance and Transmittal and on the back page of this document, all in accordance with the transmittal instructions in the Letter of Acceptance and Transmittal. See Section 3 of the Offer, “Manner of Acceptance — Letter of Acceptance and Transmittal”.

A holder of Shares who wishes to deposit Shares and whose certificates for Shares are not immediately available may deposit certificates representing such Shares by following the procedure for guaranteed delivery set forth in Section 3 of the Offer, “Manner of Acceptance — Procedures for Guaranteed Delivery”, using the accompanying Notice of Guaranteed Delivery (printed on **BLUE** paper) or a manually-signed facsimile thereof. Persons whose Shares are registered in the name of a nominee should contact their broker, investment dealer, bank, trust company or other nominee for assistance in depositing their Shares to the Offer.

Goldman Sachs Canada Inc. and Goldman, Sachs & Co. have been retained to serve as dealer managers (the “**Dealer Managers**”) for the Offer in Canada and the United States, respectively. Goldman Sachs Canada Inc. may form a soliciting dealer group comprised of members of the Investment Dealers Association of Canada and members of the stock exchanges in Canada, to solicit acceptances of the Offer in Canada. In that event, the Offeror will pay customary soliciting dealer fees in connection with the tender of Shares. Depositing Shareholders will not be obligated to pay any fee or commission if they accept the Offer by using the services of the Dealer Managers or by depositing their Shares directly with the Depository.

Questions and requests for assistance may be directed to Kingsdale Shareholder Services Inc. (the “**Information Agent**”), the information agent under the Offer, or the Depository. Their contact details are provided at the end of this document. Additional copies of this document, the Letter of Acceptance and Transmittal and the Notice of Guaranteed Delivery (collectively, the “**Offer Documents**”) may also be obtained without charge from the Dealer Managers, the Depository or the Information Agent at their respective addresses shown at the end of this document. Copies of the Offer Documents may also be found on SEDAR at [www.sedar.com](http://www.sedar.com).

*This document does not constitute an offer or a solicitation to any Person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, nor will deposits be accepted from or on behalf of, holders of Shares in any jurisdiction in which the making or acceptance thereof would not be in compliance with the Laws (as defined herein) of such jurisdiction. However, the Offeror may, in its sole discretion, take such action as it may deem necessary to extend the Offer to holders of Shares in such jurisdiction.*

*The Dealer Managers for the Offer are:*

*In Canada*

**GOLDMAN SACHS CANADA INC.**



Goldman Sachs Canada Inc.  
1310, 311 6th Avenue S.W.  
Calgary, Alberta T2P 3H2  
Telephone: (403) 269-1333

*In the United States*

**GOLDMAN, SACHS & CO.**



Goldman, Sachs & Co.  
85 Broad Street  
New York, New York 10004  
Telephone: (212) 902-1000

*The Information Agent for the Offer is:*

**KINGSDALE SHAREHOLDER SERVICES INC.**

**The Exchange Tower  
130 King Street West, Suite 2950, P.O. Box 361  
Toronto, Ontario  
M5X 1E2**

**North America Toll Free Number: 1-866-851-2638**

**Facsimile: 416-867-2271**

**Toll Free Facsimile: 1-866-545-5580**

**Outside North America, Banks and Brokers Call Collect: 416-867-2272**

*The Depositary for the Offer is:*

**CIBC MELLON TRUST COMPANY**

*By Registered Mail*

P.O. Box 1036  
Adelaide Street Postal Station  
Toronto, Ontario  
M5C 2K4

*By Mail, Hand or Courier*

199 Bay Street  
Commerce Court West  
Securities Level  
Toronto, Ontario  
M5L 1G9

600, The Dome Tower  
333 – 7th Avenue S.W.  
Calgary, Alberta  
T2P 2Z1

**Inquiries**

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Toll Free: 1-800-387-0825  
Fax: (416) 643-5501  
E-Mail: [inquiries@cibcmellon.com](mailto:inquiries@cibcmellon.com)

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## **NOTICE TO SHAREHOLDERS IN THE UNITED STATES**

The Offer is made for the securities of a Canadian issuer. The Offer is subject to applicable disclosure requirements in Canada. Shareholders should be aware that such requirements are different from those of the United States.

The enforcement by Shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Offeror is incorporated under the laws of Alberta, Canada and Shell Canada is incorporated pursuant to the laws of Canada, and a majority of their respective officers and directors are not residents of the United States, that the experts named in the Circular may not be residents of the United States and that all or a substantial portion of the assets of the Offeror and said persons may be located outside the United States. Shareholders may not be able to sue a foreign entity or its officers or directors in a foreign court for violations of United States federal or state securities laws. It may be difficult to compel a foreign entity and its affiliates to subject themselves to a United States court's judgment.

You should be aware that the disposition of Shares may have tax consequences both in the United States and in Canada. See Sections 15 and 16 of the Circular, "Certain Canadian Federal Income Tax Considerations" and "Certain United States Federal Income Tax Considerations".

Shareholders should be aware that the Offeror or its affiliates may, directly or indirectly bid for or purchase Shares, or related securities of Duvernay, during the period of the Offer, as permitted by applicable Law. See Section 13 of the Offer, "Market Purchases and Sale of Shares".

This transaction has not been approved or disapproved by any United States securities regulatory authority, nor has any such authority passed upon the accuracy or adequacy of this document. Any representation to the contrary is unlawful.

## **NOTICE TO OPTIONHOLDERS**

The Offer is made only for the Shares and is not made for any options or other rights, if any, to purchase or to receive Shares. Holders of Options who wish to accept the Offer must exercise their Options in order to obtain certificates representing Shares and then deposit those Shares under the Offer. Holders of Options will have the choice of either (i) exercising their Options and tendering the Shares issued in connection therewith to the Offer, or (ii) surrendering their Options to Duvernay pursuant to the Duvernay Stock Option Plan (as defined herein) for the aggregate of the in-the-money amount of such surrendered Options (less applicable withholdings), in each case conditional upon the Offeror taking up Shares under the Offer. See Section 2 of the Circular, "Duvernay — Stock Option Plan".

## **CURRENCY AND EXCHANGE RATES**

All dollar references in the Offer and the Circular are in Canadian dollars, unless otherwise indicated. On July 16, 2008, the rate of exchange for the Canadian dollar, expressed in U.S. dollars, based on the noon rate as provided by the Bank of Canada was Canadian \$1.00 = United States \$0.9983.

## **FORWARD-LOOKING STATEMENTS**

Certain statements in the Offer and Circular under "Background to and Reasons for the Offer", "Purpose of the Offer and Plans for Duvernay", and "Acquisition of Shares Not Deposited", in addition to certain statements contained elsewhere in the Offer and Circular, are forward-looking statements and are prospective in nature. By their nature, forward-looking statements require the Offeror and Shell Canada to make assumptions and are subject to inherent risks and uncertainties. These statements generally can be identified by the use of forward-looking words such as "may", "should", "will", "could", "intend", "estimate", "plan", "anticipate", "except", "believe" or "continue" or the negative thereof or similar variations. There is significant risk that predictions, assumptions and other forward-looking statements will not prove to be accurate. Shareholders are cautioned not to place undue reliance on forward-looking statements because a number of factors could cause actual future results, conditions, actions or events to differ materially from financial and operating targets, expectations, estimates or intentions expressed in the forward-looking statements. The Offeror and Shell Canada have made certain assumptions about the Canadian economy, the oil and gas industry and have also assumed that there will be no significant events occurring outside of Shell Canada's and Duvernay's normal course of business. Factors that could cause actual results to differ materially include but are not limited to: the conditions of the Offer not being satisfied; valid acceptance of the Offer by holders of 66 $\frac{2}{3}$ % of the Shares not being obtained; approvals or

clearances required to be obtained by Shell Canada and Duvernay from regulatory and other agencies and bodies, including Regulatory Approvals (as defined herein), not being obtained in a timely manner or at all; anticipated benefits, efficiencies and cost savings from the business combination or related divestitures not being fully realized; costs or difficulties related to the integration of Duvernay's and Shell Canada's operations being greater than expected; business and economic conditions in Shell Canada's and Duvernay's principal markets; competition; economic growth and fluctuations; capital expenditure levels; financing and debt requirements; tax matters; human resource developments; technology; regulatory developments; process risks (including internal reorganizations and integrations); health, safety and environmental developments; litigation and legal matters; business continuity events (including manmade and natural threats); and any prospective acquisitions or divestitures.

Although the Offeror and Shell Canada have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Offeror, Shell Canada and Duvernay disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

## QUESTIONS AND ANSWERS ABOUT THE OFFER

*The following are some of the more important questions that you, as a Shareholder, may have about the Offer and the answers to those questions. These Questions and Answers are not meant to be a substitute for the information contained in the Offer Documents. The information contained in these Questions and Answers is qualified in its entirety by the more detailed descriptions and explanations contained in the Offer Documents. Therefore, you are urged to carefully read the Offer Documents in their entirety prior to making any decision whether or not to tender your Shares. Cross-references have been included in these Questions and Answers to sections of the Offer and Circular where you will find more complete descriptions of the topics mentioned in these Questions and Answers. Unless otherwise defined herein, capitalized terms have the meanings assigned to them in the Glossary. **Shareholders are urged to read the Offer Documents in their entirety.***

### WHAT IS THE OFFER?

The Offeror is offering to purchase all of the Shares of Duvernay at a price of \$83.00 in cash for each Share. See Section 1 of the Offer, “The Offer”.

### WHO IS OFFERING TO PURCHASE MY SHARES?

The Offeror is a direct wholly-owned subsidiary of Shell Canada. Shell Canada is a large integrated petroleum company in Canada, producing natural gas, natural gas liquids and bitumen. It is the country’s largest producer of sulphur and is a leading manufacturer, distributor and marketer of refined petroleum products. See Section 1 of the Circular, “The Offeror and Shell Canada”.

### WHAT ARE THE CLASSES OF SECURITIES SOUGHT IN THE OFFER?

The Offeror is offering to purchase all of the Shares. The Offer is made only for the Shares and is not made for any options or other rights, if any, to purchase or to receive Shares. Any holder of such options or other rights (including a holder of Options) who wishes to accept the Offer must, to the extent permitted thereby and hereby, exercise such options or otherwise convert the rights in order to obtain certificates representing Shares and deposit such Shares in accordance with the terms of the Offer.

Holders of Options will have the choice of either (i) exercising their Options and tendering the Shares issued in connection therewith to the Offer, or (ii) surrendering their Options to Duvernay pursuant to the Duvernay Stock Option Plan for the aggregate of the in-the-money amount of such surrendered Options (less applicable withholdings), in each case conditional upon the Offeror taking up Shares under the Offer.

See Section 1 of the Offer, “The Offer” and Section 2 of the Circular, “Duvernay”.

### HOW MANY SHARES ARE BEING SOUGHT, AT WHAT PRICE AND WHAT IS THE FORM OF PAYMENT?

The Offeror is offering to purchase all of the Shares of Duvernay at a price of \$83.00 in cash for each Share. The Offeror estimates that if it acquires all of the Shares (on a fully-diluted basis) pursuant to the Offer, the total cash amount required to purchase such Shares will be approximately \$5.6 billion. See Section 1 of the Offer, “The Offer”.

### WILL I HAVE TO PAY ANY FEES OR COMMISSIONS?

Depositing Shareholders will not be obligated to pay any brokerage fee or similar fee or commission if they accept the Offer by using the services of the Dealer Managers or by depositing their Shares directly with the Depository. See Section 6 of the Offer, “Take Up and Payment for Deposited Shares”.

### WHY ARE SHELL CANADA AND THE OFFEROR MAKING THIS OFFER?

The purpose of the Offer is to enable the Offeror to acquire all of the Shares, including Shares issuable upon the exercise of any Options. See Section 5 of the Circular, “Purpose of the Offer and Plans for Duvernay”.

## **DOES THE OFFEROR HAVE THE CASH RESOURCES TO PAY FOR THE SHARES?**

Yes. Shell Canada or its parent Royal Dutch Shell plc (“RDS”) will provide all funding required by the Offeror in connection with the Offer. RDS has existing cash reserves in excess of the total amount of cash required for the purchase of the Shares (on a fully-diluted basis) and to pay all related fees and expenses. See Section 10 of the Circular, “Source of Funds”. The Offeror’s obligation to purchase the Shares under the Offer is not subject to any financing conditions.

## **WHAT ARE THE MOST IMPORTANT CONDITIONS TO THE OFFER?**

The Offer is subject to a number of conditions, including, but not limited to, that:

- there shall have been validly deposited under the Offer and not withdrawn, at the Expiry Time, such number of Shares representing at least 66⅔% of the Shares outstanding on a fully-diluted basis;
- all requisite Regulatory Approvals shall have been obtained on terms satisfactory to the Offeror, acting reasonably;
- there shall not exist or have occurred, in the judgment of the Offeror, acting reasonably, a Material Adverse Change;
- the Pre-Acquisition Agreement shall not have been terminated; and
- the Lock-up Agreements shall have been complied with and shall not have been terminated, provided that this condition may not be asserted if the Minimum Tender Condition has been satisfied.

See Section 4 of the Offer, “Conditions of the Offer”.

## **HOW LONG DO I HAVE TO DECIDE WHETHER TO TENDER TO THE OFFER?**

The Offer will be open for acceptance until 1:01 a.m. (Calgary time) on August 22, 2008 unless withdrawn or extended. If you wish to tender your Shares to the Offer, however, you should act immediately to ensure your Shares are properly tendered to the Offer at the Expiry Time. See Section 2 of the Offer, “Time of Acceptance”.

## **HOW DO I ACCEPT THE OFFER AND TENDER MY SHARES?**

You can accept the Offer by depositing the certificate(s) representing your Shares, together with the Letter of Acceptance and Transmittal (printed on YELLOW paper) or a manually-executed facsimile thereof, properly completed and duly executed, at or prior to the Expiry Time, at the office of the Depository specified in the Letter of Acceptance and Transmittal. Instructions are contained in the Letter of Acceptance and Transmittal accompanying this document. See Section 3 of the Offer, “Manner of Acceptance — Letter of Acceptance and Transmittal”. If you wish to accept the Offer and your Shares are held in the name of a nominee, you should request the broker, investment dealer, bank, trust company or other nominee to deposit your Shares with the Depository.

If you wish to accept the Offer and your certificates are not immediately available or you cannot deliver the certificates to the Depository prior to the Expiry Time, you may accept the Offer by following the procedures for guaranteed delivery set forth in Section 3 of the Offer, “Manner of Acceptance — Procedures for Guaranteed Delivery”.

Should you have any additional questions or require assistance in tendering your Shares to the Offer, please contact the Information Agent for the Offer, Kingsdale Shareholder Services Inc., toll-free (within North America only) at **1-866-851-2638**, or the Depository, CIBC Mellon Trust Company, at **1-800-387-0825**.

## **IF I ACCEPT THE OFFER, WHEN WILL I BE PAID?**

If the conditions of the Offer are satisfied or waived, the Offeror will take up and pay for all Shares validly deposited under the Offer and not withdrawn as soon as practicable, but in any event not later than three business days after the Expiry Date. Settlement will then be made by the Depository issuing or causing to be issued a cheque (except for payments in excess of \$25 million, which will be paid by wire transfer) payable in Canadian funds to which a Person depositing Shares is entitled. See Section 6 of the Offer, “Take Up and Payment for Deposited Shares”.

## **DOES DUVERNAY'S BOARD OF DIRECTORS SUPPORT THE OFFER?**

Duvernay has entered into the Pre-Acquisition Agreement with Shell Canada. The Pre-Acquisition Agreement sets forth the terms and conditions upon which the Offer is to be made. See Section 4 of the Circular, "Agreements Related to the Offer — Pre-Acquisition Agreement".

The board of directors of Duvernay (i) has **UNANIMOUSLY** determined that the consideration to be received by Shareholders under the Offer is fair, from a financial point of view, to the Shareholders, (ii) has unanimously determined that the Offer is in the best interests of Duvernay and the Shareholders, and (iii) unanimously **RECOMMENDS** that Shareholders **ACCEPT** the Offer and **TENDER** their Shares to the Offer. A director's circular issued by the board of directors of Duvernay is being delivered contemporaneously with the Offer Documents.

Peters & Co. Limited acted as exclusive financial advisor to Duvernay and has provided the Board of Directors with the Fairness Opinion, which states that, as of the date thereof, the consideration to be received by Duvernay shareholders pursuant to the Offer is fair, from a financial point of view, to the holders of Shares.

## **HAVE ANY DUVERNAY SHAREHOLDERS AGREED TO TENDER THEIR SHARES?**

Yes. In connection with the Offer, all of the directors and officers of Duvernay have entered into the Lock-Up Agreements with Shell Canada pursuant to which they have agreed to tender and not withdraw, except in certain circumstances, the Shares beneficially owned by such Shareholders and any Shares they shall acquire pursuant to the exercise of Options. The Supporting Shareholders collectively hold 10,825,057 Shares and 1,355,000 Options or approximately 18.1% of the issued and outstanding Shares of Duvernay calculated on a fully-diluted basis. See Section 4 of the Circular, "Agreements Related to the Offer — Lock-Up Agreements".

## **IF I DO NOT TENDER BUT THE OFFER IS SUCCESSFUL, WHAT WILL HAPPEN TO MY SHARES?**

It is the Offeror's current intention that, if it takes up and pays for Shares deposited pursuant to the Offer, it will enter into one or more transactions to acquire all the Shares not acquired pursuant to the Offer in the following circumstances:

- If the Offer has been accepted by holders of not less than 90% of the outstanding Shares, on a fully-diluted basis, other than Shares held as of the date of the Offer by or on behalf of the Offeror, Shell Canada or any of their affiliates or associates (as defined in the ABCA), the Offeror may, within 120 days after the date of the Offer, at its option, acquire the remainder of the Shares from those Shareholders who have not accepted the Offer pursuant to a Compulsory Acquisition Transaction.
- If that statutory right of acquisition is not available or not used, the Offeror intends to acquire the remaining Shares not tendered to the Offer and Duvernay has agreed to assist the Offeror in acquiring the balance of the Shares by way of a Subsequent Acquisition Transaction, provided that the consideration per Share is at least equal in value to the Offer Price.

See Section 12 of the Offer, "Acquisition of Shares Not Deposited".

## **FOLLOWING THE OFFER, WILL DUVERNAY CONTINUE AS A PUBLIC COMPANY?**

If and when the Shares are no longer widely held, Duvernay may cease to be subject to the public reporting and proxy solicitation requirements of the ABCA and the Securities Laws of certain provinces of Canada. If permitted by applicable Law, subsequent to completion of the Offer or a Compulsory Acquisition Transaction or any Subsequent Acquisition Transaction, the Offeror intends to apply to delist the Shares from the TSX and apply to have Duvernay cease to be a reporting issuer under the Securities Laws of each such province. See Section 11 of the Circular, "Effect of the Offer on Markets for the Shares and Stock Exchange Listing".

## **WHAT IS THE PREMIUM BEING OFFERED FOR MY SHARES AS OF A RECENT DATE?**

The closing price of the Shares on the TSX on July 11, 2008, the last trading day prior to the day on which the Offer was announced, was \$58.44. The consideration offered under the Offer represents a premium of approximately 42% to the closing price of the Shares on the TSX on July 11, 2008 and 36% over the volume weighted average trading price of the Shares on the TSX for the 30 trading days immediately preceding the announcement of the Offer. Shareholders are urged to obtain a current market quotation for the Shares.

**HOW WILL CANADIAN RESIDENTS AND NON-RESIDENTS OF CANADA BE TAXED FOR CANADIAN FEDERAL INCOME TAX PURPOSES?**

The sale of Shares pursuant to the Offer will be a taxable disposition for Canadian federal income tax purposes and may give rise to tax consequences to the depositing Shareholder. See Section 15 of the Circular, "Certain Canadian Federal Income Tax Considerations". Shareholders should consult their own tax advisors for advice with respect to the tax consequences to them of accepting the Offer or of any Compulsory Acquisition or Subsequent Acquisition Transaction.

**HOW WILL UNITED STATES SHAREHOLDERS BE TAXED FOR UNITED STATES FEDERAL INCOME TAX PURPOSES?**

The sale of Shares pursuant to the Offer will be a taxable transaction for United States federal income tax purposes and may give rise to tax consequences to the depositing Shareholder. Section 16 of the Circular, "Certain United States Federal Income Tax Considerations" provides a general overview of United States federal income tax consequences to a United States Shareholder who disposes of Shares pursuant to the Offer. Please refer to that section of the Circular for specific information in this regard. Shareholders should consult their own tax advisors for advice with respect to the tax consequences to them of accepting the Offer or of any Compulsory Acquisition or Subsequent Acquisition Transaction.

**WHO CAN I CALL WITH ADDITIONAL QUESTIONS?**

*The Dealer Managers for the Offer are:*

*In Canada*

**GOLDMAN SACHS CANADA INC.**



Goldman Sachs Canada Inc.  
1310, 311 6th Avenue S.W.  
Calgary, Alberta T2P 3H2  
Telephone: (403) 269-1333

*In the United States*

**GOLDMAN, SACHS & CO.**



Goldman, Sachs & Co.  
85 Broad Street  
New York, New York 10004  
Telephone: (212) 902-1000

*The Information Agent for the Offer is:*

**KINGSDALE SHAREHOLDER SERVICES INC.**

The Exchange Tower  
130 King Street West, Suite 2950, P.O. Box 361  
Toronto, Ontario  
M5X 1E2

North America Toll Free Number: 1-866-851-2638  
Facsimile: 416-867-2271  
Toll Free Facsimile: 1-866-545-5580  
Outside North America, Banks and Brokers Call Collect: 416-867-2272

*The Depositary for the Offer is:*

**CIBC MELLON TRUST COMPANY**

***By Registered Mail***

P.O. Box 1036  
Adelaide Street Postal Station  
Toronto, Ontario  
M5C 2K4

***By Mail, Hand or Courier***

199 Bay Street  
Commerce Court West  
Securities Level  
Toronto, Ontario  
M5L 1G9

600, The Dome Tower  
333 – 7th Avenue S.W.  
Calgary, Alberta  
T2P 2Z1

**Inquiries**

Telephone: (416) 643-5500  
Toll Free: 1-800-387-0825  
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E-Mail: [inquiries@cibcmellon.com](mailto:inquiries@cibcmellon.com)

## SUMMARY

*The following is only a summary of selected information contained in the Offer Documents and is qualified in its entirety by reference to the detailed provisions of those documents. The information concerning Duvernay contained herein and in the Offer Documents has been taken from or based upon publicly available documents and records on file with Canadian Securities Regulatory Authorities and other public sources, unless otherwise indicated, and has not been independently verified by the Offeror or Shell Canada. Although neither the Offeror nor Shell Canada has any knowledge that would indicate that any statements contained herein relating to Duvernay taken from or based upon such documents and records are inaccurate or incomplete, neither the Offeror, Shell Canada nor any of their respective officers or directors assumes any responsibility for the accuracy or completeness of the information relating to Duvernay taken from or based upon such documents and records, or for any failure by Duvernay to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to the Offeror or Shell Canada. Certain capitalized terms used in this summary are defined in the Glossary. **Shareholders are urged to read the Offer Documents in their entirety.***

### The Offer

The Offeror is offering to purchase, upon the terms and subject to the conditions of the Offer, all of the Shares, including the Shares issuable upon the exercise of any Options, for \$83.00 per Share. The Offer is open for acceptance until, but not later than, the Expiry Time unless withdrawn or extended by the Offeror.

The Offer is made only for the Shares and is not made for any options or other rights, if any, to purchase, or to receive in exchange, Shares. All Options must be exercised and tendered to the Offer or terminated prior to the Initial Expiry Time. Holders of Options will have the choice of either (i) exercising their Options and tendering the Shares issued in connection therewith to the Offer, or (ii) surrendering their Options to Duvernay pursuant to the Duvernay Stock Option Plan for the aggregate of the in-the-money amount of such surrendered Options (less applicable withholdings), in each case conditional upon the Offeror taking up Shares under the Offer.

**The Offer is not being made to, nor will deposits be accepted from or on behalf of, Shareholders in any jurisdiction in which the making or acceptance thereof would not be in compliance with the Laws of such jurisdiction. However, the Offeror or its agents may, in their sole discretion, take such action as they may deem necessary to extend the Offer to Shareholders in any such jurisdiction.**

The obligation of the Offeror to take up and pay for Shares pursuant to the Offer is subject to various conditions. See Section 4 of the Offer, "Conditions of the Offer".

### Time for Acceptance

The Offer is open for acceptance until 1:01 a.m. (Calgary time) on August 22, 2008, subject to certain rights of extension and withdrawal.

### Recommendation of Duvernay Board

Duvernay has announced that its Board of Directors, after consultation with its legal and financial advisors, and upon receipt of the Fairness Opinion, (i) has **UNANIMOUSLY** determined that the consideration to be received by Shareholders under the Offer is fair, from a financial point of view, to the Shareholders, (ii) has unanimously determined that the Offer is in the best interests of Duvernay and the Shareholders, and (iii) unanimously **RECOMMENDS** that Shareholders **ACCEPT** the Offer and **TENDER** their Shares to the Offer.

### Fairness Opinion

Peters & Co. Limited acted as exclusive financial advisor to Duvernay and has provided the Board of Directors with the Fairness Opinion, which states that, as of the date thereof, the consideration to be received by holders of Shares pursuant to the Offer is fair, from a financial point of view, to the holders of Shares.

## **Pre-Acquisition Agreement**

On July 14, 2008, Shell Canada and Duvernay entered into a Pre-Acquisition Agreement, pursuant to which Shell Canada agreed that it would make, or cause a wholly-owned subsidiary to make, the Offer. The Pre-Acquisition Agreement contains, among other things, covenants of the Offeror relating to the making of the Offer and covenants of Duvernay relating to steps to be taken to support the Offer. Duvernay agreed to immediately cease and cause to be terminated all existing discussions, solicitations, initiations, encouragements and negotiations, if any, with any parties (other than Shell Canada and its affiliates) conducted on or before the date of the Pre-Acquisition Agreement by Duvernay or any of the Duvernay Representatives with respect to any actual or potential Acquisition Proposal. The Pre-Acquisition Agreement also contains, among other things, prohibitions on solicitation by Duvernay and a right of the Offeror to match any Superior Proposal. Duvernay has also agreed under the Pre-Acquisition Agreement to pay to the Offeror a non-completion fee of \$120 million upon the occurrence of certain events. See Section 4 of the Circular, "Agreements Related to the Offer".

## **Lock-up Agreements**

In connection with the Offer, all of the directors and officers of Duvernay have entered into the Lock-Up Agreements with Shell Canada pursuant to which they have agreed to tender and not withdraw, except in certain circumstances, the Shares beneficially owned by such Shareholders and any Shares they shall acquire pursuant to the exercise of Options. The Supporting Shareholders collectively hold 10,825,057 Shares and 1,355,000 Options or approximately 18.1% of the issued and outstanding Shares of Duvernay calculated on a fully-diluted basis. See Section 4 of the Circular, "Agreements Related to the Offer".

## **Purpose of the Offer and Plans for Duvernay**

The purpose of the Offer is to enable the Offeror to acquire, directly or indirectly, all of the Shares, including Shares issuable upon the exercise of any Options. If the Offeror acquires at least 90% of the Shares, the Offeror may acquire the remaining Shares pursuant to the compulsory acquisition procedures contained in Part 16 of the ABCA. If the Offeror acquires less than 90% of the Shares, the Offeror reserves the right to avail itself of such other corporate actions or proceedings as may be legally available, including a Subsequent Acquisition Transaction, to acquire the remaining Shares without the consent of the holders thereof. Notwithstanding the fact that the compulsory acquisition procedures of the ABCA may be available, the Offeror may nonetheless elect to propose a Subsequent Acquisition Transaction. See Section 12 of the Offer, "Acquisition of Shares Not Deposited".

## **Conditions of the Offer**

Notwithstanding any other provision of the Offer, but subject to the provisions of the Pre-Acquisition Agreement, the Offeror reserves the right to withdraw or terminate the Offer and not take up and pay for, or to extend the period of time that the Offer is open and postpone taking up and paying for, any Shares deposited under the Offer unless all of the conditions set forth in Section 4 of the Offer, "Conditions of the Offer", are satisfied or waived by the Offeror. The Offer is conditional upon, among other things, there being validly deposited under the Offer and not withdrawn at least 66 $\frac{2}{3}$ % of the outstanding Shares (calculated on a fully-diluted basis) and the receipt of all required Regulatory Approvals on terms satisfactory to the Offeror, acting reasonably. All of such conditions are for the exclusive benefit of the Offeror and, subject to the terms of the Pre-Acquisition Agreement, may be waived by it, in its sole discretion, in whole or in part, at any time and from time to time, both before and after the Expiry Time, without prejudice to any other rights that the Offeror may have. Notwithstanding the foregoing, the Offeror may not assert the condition in the Pre-Acquisition Agreement that the Lock-up Agreements have not been complied with if the Minimum Tender Condition has been satisfied. See Section 4 of the Offer, "Conditions of the Offer".

## **Manner of Acceptance**

Shareholders wishing to accept the Offer must deposit the certificate(s) representing their Shares together with a properly-completed and duly-executed Letter of Acceptance and Transmittal (printed on **YELLOW** paper) for the Shares or a manually-signed facsimile thereof and all other documents required by the Letter of Acceptance and Transmittal, at the office of the Depositary specified in the Letter of Acceptance and Transmittal at or prior to the Expiry Time. Instructions are contained in the Letter of Acceptance and Transmittal, which accompanies this Offer and Circular.

**Persons whose Shares are registered in the name of a nominee should contact their broker, investment dealer, bank, trust company or other nominee for assistance in depositing their Shares to the Offer.**

If a Shareholder is unable to deposit certificates representing its Shares in a timely manner, such Shareholder may accept the Offer by following the procedure for guaranteed delivery set forth in Sections 2 and 3 of the Offer, "Time of Acceptance" and "Manner of Acceptance", using the accompanying Notice of Guaranteed Delivery (printed on **BLUE** paper) or a facsimile thereof.

**Withdrawal of Deposited Shares**

Shares deposited pursuant to the Offer may be withdrawn at any time if the Shares have not been taken up by the Offeror and in the other circumstances described in Section 7 of the Offer, "Withdrawal of Deposited Shares". Except as so indicated or as otherwise required by applicable Law, deposits of Shares pursuant to the Offer are irrevocable.

**Take Up and Payment for Deposited Shares**

If all the conditions referred to in Section 4 of the Offer, "Conditions of the Offer", are satisfied or waived by the Offeror at the Expiry Time, the Offeror will, pursuant to the terms of the Pre-Acquisition Agreement, become obligated to take up and pay for all Shares validly deposited under the Offer (and not properly withdrawn) as soon as practicable, but in any event within three Business Days of the Expiry Date. Any Shares deposited under the Offer after the first date on which Shares have been taken up by the Offeror will be taken up and paid for within 10 days of such deposit. See Section 6 of the Offer, "Take Up and Payment for Deposited Shares".

**The Offeror and Shell Canada**

The Offeror was incorporated on July 15, 2008 under the ABCA and is a direct wholly-owned subsidiary of Shell Canada. The Offeror was formed to make the Offer and has not carried on any business other than that incidental to making the Offer.

Shell Canada is a large integrated petroleum company in Canada, producing natural gas, natural gas liquids and bitumen. It is Canada's largest producer of sulphur and is a leading manufacturer, distributor and marketer of refined petroleum products. See Section 1 of the Circular, "The Offeror and Shell Canada".

**Duvernay**

Duvernay's principal business is the acquisition, exploration, development and production of natural gas and crude oil, with emphasis on the deeper, western portion of the Western Canadian Sedimentary Basin in Alberta and north eastern British Columbia. See Section 2 of the Circular, "Duvernay".

**Regulatory Matters**

***Competition Act***

Under the Competition Act, the acquisition of voting shares of a corporation that carries on an operating business in Canada may require pre-merger notification if certain size of parties and size of transaction thresholds are exceeded. If the transaction thresholds are exceeded (a "**Notifiable Transaction**"), notification may be made either on the basis of a short-form filing (in respect of which there is a 14-day statutory waiting period) or a long-form filing (in respect of which there is a 42-day statutory waiting period). Where a transaction does not raise substantive issues under the Competition Act, the Commissioner of Competition (the "**Commissioner**") may issue an Advance Ruling Certificate ("**ARC**") in respect of the transaction. Where an ARC is issued, the parties to the transaction are not required to file a pre-merger notification.

The acquisition of the Shares by the Offeror is a Notifiable Transaction under the Competition Act, and as such, the parties must file a pre-merger notification or the Offeror will request an ARC and waiver of the obligation to file a notification. The obligation of the Offeror to complete the Offer is, among other things, subject to the condition that the Commissioner shall have (a) issued an ARC under Section 102 of the Competition Act in respect of the purchase of the Shares by the Offeror, or (b) advised the parties in writing the Commissioner has determined not to file an application for an order under Part VIII of the Competition Act and any terms and conditions attached to such advice shall be acceptable to the parties. See Section 4 of the Offer, "Conditions of the Offer".

### ***Investment Canada Act***

Under the Investment Canada Act certain transactions involving the acquisition of control of a Canadian business by a non-Canadian are subject to review and cannot be implemented unless the Minister responsible for the Investment Canada Act (the “ICA Minister”) is satisfied that the transaction is likely to be of net benefit to Canada. If a transaction is subject to the review requirement (a “Reviewable Transaction”), an application for review must be filed with the Investment Review Division of Industry Canada and the approval of the ICA Minister obtained prior to the implementation of the Reviewable Transaction. The ICA Minister is required to determine whether the Reviewable Transaction is likely to be of net benefit to Canada, taking into account, among other things, certain factors specified in the ICA and any written undertakings that may have been given by the applicant. If the ICA Minister determines that he or she is not satisfied that a Reviewable Transaction is likely to be of net benefit to Canada, the Reviewable Transaction may not be implemented.

The acquisition of the Shares by the Offeror is a Reviewable Transaction under the Investment Canada Act and the Offeror will file an application for review with the Investment Review Division of Industry Canada. The Offer is conditional upon receiving approval under the Investment Canada Act. See Section 4 of the Offer, “Conditions to the Offer”.

See Section 14 of the Circular, “Regulatory Matters”.

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

Shareholders should carefully read the information under “Certain Canadian Federal Income Tax Considerations” in Section 15 of the Circular, which qualifies the information set forth below.

Canadian residents who dispose of their Shares pursuant to the Offer will generally realize a capital gain or loss to the extent that the cash received exceeds or is less than the total of the adjusted cost base of their Shares and their disposition expenses.

Non-residents of Canada will generally not be subject to tax in Canada in respect of the sale of their Shares pursuant to the Offer, where the Shares do not constitute taxable Canadian property to such non-resident Shareholders.

**The foregoing is a brief summary of the principal Canadian federal income tax consequences only. Shareholders are urged to read Section 15 of the Circular, “Certain Canadian Federal Income Tax Considerations”, and consult their own tax advisors to determine the particular tax consequences to them of a sale of Shares pursuant to the Offer or a disposition of Shares pursuant to a Compulsory Acquisition or any Subsequent Acquisition Transaction.**

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

Shareholders should carefully read the information under “Certain United States Federal Income Tax Considerations” in Section 16 of the Circular, which qualifies the information below.

In general, and assuming that the Shares do not constitute interests in a “passive foreign investment company” for United States federal income tax purposes, and certain other conditions are satisfied, a United States Shareholder (as defined herein) who disposes of Shares solely pursuant to the Offer, should recognize a capital gain or loss for United States federal income tax purposes equal to the difference between (a) the cash received pursuant to the Offer, and (b) such holder’s adjusted tax basis in the Shares so disposed. A non-corporate United States Shareholder may be subject to United States federal income tax at a preferential rate on any such capital gain if the United States Shareholder’s holding period for the Shares disposed of pursuant to the Offer exceeds one year.

**The foregoing is only a brief summary of certain United States federal income tax consequences of the Offer. Shareholders are urged to read Section 16 of the Circular, “Certain United States Federal Income Tax Considerations,” and to consult their own tax advisors to determine the particular tax consequences arising from a sale of Shares pursuant to the Offer or a disposition of Shares pursuant to a Compulsory Acquisition or any Subsequent Acquisition Transaction.**

**Depositary**

CIBC Mellon Trust Company is acting as depositary under the Offer. The Depositary will receive deposits of certificates representing the Shares and accompanying Letters of Acceptance and Transmittal and Notices of Guaranteed Delivery at its office specified in the Letter of Acceptance and Transmittal and the Notice of Guaranteed Delivery. The Depositary will be responsible for giving certain notices, if required, and for making payment for all Shares purchased by the Offeror under the Offer.

See Sections 2, 3 and 6 of the Offer, “Time of Acceptance”, “Manner of Acceptance” and “Take Up and Payment for Deposited Shares” and Section 17 of the Circular, “Depositary, Financial Advisors, Dealer Managers and Information Agent”.

**Dealer Managers**

Goldman Sachs Canada Inc. and Goldman, Sachs & Co. have been retained to serve as dealer managers for the Offer in Canada and the United States, respectively. Goldman Sachs Canada Inc. may form a soliciting dealer group comprising members of the Investment Dealers Association of Canada and members of the stock exchanges in Canada to solicit acceptances of the Offer in Canada. In that event, the Offeror will pay customary soliciting dealer fees in connection with the tender of Shares. Depositing Shareholders will not be obligated to pay any fee or commission if they accept the Offer by using the services of the Dealer Managers or by transmitting their Shares directly to the Depositary.

**Information Agent**

Kingsdale Shareholder Services Inc. is acting as information agent under the Offer. The Information Agent will be responsible for providing information about the Offer to Shareholders resident in Canada and the United States. Enquiries concerning the information in this document should be directed to Kingsdale Shareholder Services Inc.’s North American toll-free number at 1-866-851-2638. See Section 17 of the Circular, “Depositary, Financial Advisors, Dealer Managers and Information Agent”.

**Stock Exchange Listing**

The Shares are listed on the TSX under the symbol “DDV”. See Section 2 of the Circular, “Duvernay — Price Ranges and Trading Volumes of Shares”. As a result of the acceptance of the Offer by Shareholders, it is possible that the Shares will no longer meet the minimum listing requirements of the TSX. If the Offer is successful, the Offeror intends to delist the Shares from the TSX. See Section 11 of the Circular, “Effect of the Offer on Markets for the Shares and Stock Exchange Listing”.

## GLOSSARY

*In the Offer, Circular, Letter of Acceptance and Transmittal and Notice of Guaranteed Delivery, the following terms shall have the meanings set forth below, unless the subject matter or context is inconsistent therewith or such terms are otherwise defined above or in the Offer or Circular:*

“**ABCA**” means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9;

“**Acquisition Proposal**” means: (i) any proposal or offer (whether binding or not) made by a third party which relates to (A) any take-over bid, merger, amalgamation, plan of arrangement, business combination, joint venture consolidation, recapitalization, liquidation or winding-up in respect of Duvernay or any subsidiary; (B) any sale, lease, licence (other than licences in the ordinary course of business), mortgage, hypothecation, pledge, transfer or other disposition of any assets representing greater than 20% of the consolidated assets of Duvernay, whether in a single transaction or series of linked transactions; (C) any sale or acquisition of 20% or more of Duvernay’s shares of any class or rights or interests therein or thereto in a single transaction or series of linked transactions; (D) any similar business combination or transaction, of or involving Duvernay and one or more of its subsidiaries; (ii) any other transaction the consummation of which would reasonably be expected to impede, interfere with, prevent or materially delay any of the transactions contemplated by the Pre-Acquisition Agreement; or (iii) any public announcement of an intention to do any of the foregoing from any Person other than the Offeror or any affiliate of the Offeror;

“**affiliate**” has the meaning ascribed to it in the Securities Act;

“**associate**” has the meaning ascribed to it in the Securities Act;

“**Board of Directors**” means the board of directors of Duvernay;

“**Business Day**” means any day which is not a Saturday, Sunday or statutory holiday in the Province of Alberta on which the principal commercial banks in downtown Calgary are generally open for the transaction of commercial banking business during regular business hours;

“**Canadian Securities Regulatory Authorities**” means the applicable Canadian provincial and territorial securities commissions and regulatory authorities;

“**Circular**” means the take-over bid circular accompanying the Offer and forming part hereof and thereof;

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

“**Competition Act Approval**” means that the Commissioner of Competition appointed under the Competition Act shall have: (a) issued an advance ruling certificate under Section 102 of the Competition Act; or (b) advised the parties in writing that the Commissioner has determined not to file an application for an order under Part VIII of the Competition Act and any terms and conditions attached to such advice shall be acceptable to the parties;

“**Compulsory Acquisition**” has the meaning ascribed thereto under “Acquisition of Shares Not Deposited — Compulsory Acquisition” in the Offer;

“**Confidentiality Agreement**” means the confidentiality agreement between the Offeror and Duvernay dated July 9, 2008;

“**Dealer Manager**” means Goldman Sachs Canada Inc. or Goldman, Sachs & Co., as applicable, and “**Dealer Managers**” means both Goldman Sachs Canada Inc. and Goldman, Sachs & Co.;

“**Depository**” means CIBC Mellon Trust Company, at its offices specified in the Letter of Acceptance and Transmittal;

“**Directors’ Circular**” means the circular to be prepared by the Board of Directors and to be sent to all Shareholders in connection with the Offer;

“**Duvernay**” means Duvernay Oil Corp., a corporation existing under the laws of the Province of Alberta;

“**Duvernay Representatives**” means any of Duvernay’s officers, directors, employees, financial advisors, legal counsel, representatives or agents;

**“Duvernay Shareholders”** or **“Shareholders”** means holders of Shares, and **“Duvernay Shareholder”** or **“Shareholder”** means any one of them;

**“Duvernay Stock Option Plan”** means the stock option plan of Duvernay dated June 5, 2008, as amended;

**“Effective Date”** means the first date on which the Offeror first takes up and pays for Shares deposited pursuant to the Offer;

**“Effective Time”** means 12:01 a.m. (Calgary time) on the Effective Date;

**“Eligible Institution”** means a Canadian schedule 1 chartered bank acceptable to the Depository, a member of the Securities Transfer Agents Medallion Program (**“STAMP”**), a member of the Stock Exchange Medallion Program (**“SEMP”**) or a member of the New York Exchange Inc. Medallion Signature Program (**“MSP”**), where the members of these programs are usually members of a recognized stock exchange in Canada or the United States, members of the Investment Dealers Association of Canada, members of the National Association of Securities Dealers or banks and trust companies in the United States;

**“Expiry Date”** means August 22, 2008, unless the Offer is extended pursuant to Section 5 of the Offer, “Variation or Extension of the Offer”, in which event the Expiry Date shall mean the latest date on which the Offer as so extended expires;

**“Expiry Time”** means the Initial Expiry Time, unless the Offer is extended (pursuant to Section 5 of the Offer, “Variation or Extension of the Offer”), in which case the Expiry Time shall mean the latest time on which the Offer as so extended expires;

**“Fairness Opinion”** means the fairness opinion of Peters & Co. Limited dated July 14, 2008 attached as Schedule A to the accompanying Directors’ Circular;

**“Flow-Through Shares”** means Shares of Duvernay issued on a “flow-through basis” pursuant to the Tax Act;

**“fully-diluted basis”** means with respect to the number of outstanding Shares at any time, such number of outstanding Shares calculated assuming that all outstanding Options are exercised;

**“Governmental Authority”** means any (a) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign; (b) Canadian Securities Regulatory Authority, self-regulatory organization or stock exchange, including the TSX; (c) subdivision, agent, commission, board, or authority of any of the foregoing; or (d) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

**“Information Agent”** means Kingsdale Shareholder Services Inc.;

**“Initial Expiry Time”** means 1:01 a.m. (Calgary time) on August 22, 2008;

**“Investment Canada Act”** means the *Investment Canada Act*, R.S.C. 1985, c. C-28;

**“Investment Canada Act Approval”** means approval or deemed approval pursuant to the Investment Canada Act by the ICA Minister;

**“Latest Mailing Date”** means 11:59 p.m. (Calgary time) on July 25, 2008;

**“Laws”** means all laws (including common law and civil law), by-laws, statutes, rules, regulations, orders, ordinances, judgments, decrees or other requirements, having the force of laws whether domestic or foreign, and the terms and conditions of any grant or approval, permission, authority, permit, membership, contract with, or license of, in each case of any Governmental Authority;

**“Letter of Acceptance and Transmittal”** means a Letter of Acceptance and Transmittal in the form (printed on YELLOW paper) accompanying the Offer and Circular;

**“Lock-up Agreements”** means the lock-up agreements between Shell Canada and each of the Supporting Shareholders;

**“Material Adverse Change”** means any change, effect, event, occurrence or state of facts that is, or could reasonably be expected to be (individually or in the aggregate), material and adverse to the condition (financial or otherwise), prospects, properties, assets, liabilities (contingent or otherwise), obligations (whether absolute, accrued, conditional or otherwise), businesses, operations or results of operations of Duvernay, or the ability of Duvernay to perform its obligations under the Pre-Acquisition Agreement in any material respect, but “Material Adverse Change” shall not include a change resulting or arising from: (i) a matter that has prior to the date the Pre-Acquisition Agreement been publicly disclosed or has been disclosed in writing to the Offeror; or (ii) conditions affecting the oil and gas industry generally, including, without limitation, changes in commodity prices or taxes; or (iii) general economic, financial, currency exchange, or securities market conditions in North America including, without limitation, changes in currency or exchange rates;

**“Material Adverse Effect”** means any effect resulting from a Material Adverse Change;

**“Minimum Required Shares”** means that number of outstanding Shares required pursuant to the Minimum Tender Condition, unless the Offeror waives the Minimum Tender Condition, in which case “Minimum Required Shares” means that number of outstanding Shares which the Offeror takes-up on the Effective Date, provided that such number of Shares shall not in any circumstance be less than 50% of the issued and outstanding Shares on a fully-diluted basis;

**“Minimum Tender Condition”** means the condition set forth in Section 4 of the Offer, “Conditions of the Offer”;

**“misrepresentation”** shall have the meaning ascribed thereto under the Securities Act;

**“Notice of Guaranteed Delivery”** means the notice of guaranteed delivery in the form (printed on BLUE paper) accompanying the Offer and Circular;

**“Offer”** means the offer to purchase all of the outstanding Shares, including any and all Shares issued or issuable upon the exercise of any Options or other securities, made hereby to the Shareholders, the terms and conditions of which are set forth in the Offer Documents;

**“Offer Documents”** means, collectively, the Offer, Circular, Letter of Acceptance and Transmittal and Notice of Guaranteed Delivery;

**“Offer Period”** means the period commencing on July 17, 2008 and ending at the Expiry Time;

**“Offer Price”** means \$83.00 in cash per Share, or such greater amount as the Offeror may specify as the purchase price per Share under the Offer pursuant to Section 5 of the Offer, “Variation or Extension of the Offer”;

**“Offeror”** means BRS Gas Corp., a corporation incorporated pursuant to the ABCA;

**“Offeror Representatives”** means the Offeror’s officers, employees, counsel, accountants and other authorized representatives and advisors;

**“Options”** means stock options granted pursuant to the Duvernay Stock Option Plan;

**“party”** means Duvernay or the Offeror, as applicable, and **“parties”** means both Duvernay and the Offeror together;

**“Person”** includes an individual, sole proprietorship, partnership, firm, entity, association, corporation, company, limited liability company, unincorporated association, unincorporated syndicate or organization, trust, body corporate, joint venture, business organization, trustee, executor, administrator, legal representative, government (including any Governmental Authority) or any other entity, whether or not having legal status;

**“Pre-Acquisition Agreement”** means the pre-acquisition agreement between Shell Canada and Duvernay dated July 14, 2008;

**“RDS”** means Royal Dutch Shell plc;

**“Regulations”** means all statutes, laws, rules, orders and regulations in effect from time to time and made by any Governmental Authority;

**“Regulatory Approvals”** means those sanctions, rulings, waivers, consents, orders, exemptions, permits, licenses, authorizations and other approvals (including the lapse, without objection, of a prescribed time or waiting period under a

statute or regulation that states that a transaction may only be implemented if a prescribed time lapses following the giving of notice without an objection or an opposition being filed, made or initiated) of any Governmental Authority;

“**Securities Act**” means the *Securities Act* (Alberta), R.S.A. 2000, c. S-4;

“**Securities Laws**” means the Securities Act and any applicable Canadian provincial securities laws and any other applicable securities laws;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval;

“**Shares**” means the common shares in the capital of Duvernay, including the common shares issuable upon the exercise of outstanding Options or other securities of Duvernay;

“**Shell Canada**” means Shell Canada Limited, a corporation incorporated under the laws of Canada;

“**Soliciting Dealer**” has the meaning ascribed thereto in Section 17 of the Circular, “Depositary, Financial Advisors, Dealer Managers and Information Agent”;

“**Subject Shares**” means all of the Shares owned directly or beneficially by the Supporting Shareholders and any other Shares that the Supporting Shareholders now or hereafter own or over which they now or hereafter exercise direction or control and any additional Shares over which the Supporting Shareholders acquire beneficial ownership or control or direction after the date of the Lock-up Agreement, whether as a result of the exercise of Options or otherwise. For greater certainty, the term “**Subject Shares**” includes all Shares or other securities which the Subject Shares may be converted into, exchanged for or otherwise changed into pursuant to any merger, reorganization, amalgamation or other business combination involving Duvernay prior to the acquisition of the Subject Shares by the Offeror, and shall also include any and all distributions of cash, securities or other property made on such Subject Shares on or after the date hereof other than distributions made in the ordinary course;

“**Subsequent Acquisition Transaction**” has the meaning ascribed to it in Section 12 of the Offer, “Acquisition of Shares Not Deposited — Subsequent Acquisition Transaction”;

“**subsidiary**” means, with respect to a specified body corporate, any body corporate of which more than 50% of the outstanding shares 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 a certain event or contingency) are at the time owned directly or indirectly by such specified body corporate, and shall include any body corporate, partnership, joint venture or other entity over which it exercises direction or control or which is in a like relation to a subsidiary;

“**Superior Proposal**” means any *bona fide* written Acquisition Proposal that, in the opinion of the Board of Directors, acting reasonably and in good faith and after consultation with its legal and financial advisors, is likely to be completed on its terms taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by such Acquisition Proposal and, if consummated, would be superior to the Offer from a financial point of view to Shareholders;

“**Supporting Shareholders**” means, collectively, all of the directors and officers of Duvernay who have entered into Lock-up Agreements;

“**Tax Act**” means the *Income Tax Act*, R.S.C. 1985, c.1 (5th Supp.);

“**TSX**” means the Toronto Stock Exchange; and

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

# OFFER

## TO: THE HOLDERS OF SHARES OF DUVERNAY

### 1. THE OFFER

The Offeror hereby offers to purchase, on and subject to the terms and conditions hereinafter specified, all of the issued and outstanding Shares, including the Shares issuable upon the exercise of the Options or other securities of Duvernay, for \$83.00 in cash per Share.

The Offer is made only for the Shares and is not made for any options or other rights, if any, to purchase or to receive in exchange Shares. All Options must be exercised and tendered to the Offer or terminated prior to the Initial Expiry Time. Holders of Options will have the choice of either (i) exercising their Options and tendering the Shares issued in connection therewith to the Offer, or (ii) surrendering their Options to Duvernay pursuant to the Duvernay Stock Option Plan for the aggregate of the in-the-money amount of such surrendered Options (less applicable withholdings), in each case conditional upon the Offeror taking up Shares under the Offer.

Duvernay has announced that its Board of Directors, after consultation with its legal and financial advisors, and upon receipt of the Fairness Opinion, (i) has **UNANIMOUSLY** determined that the consideration to be received by Shareholders under the Offer is fair, from a financial point of view, to the Shareholders, (ii) has unanimously determined that the Offer is in the best interests of Duvernay and the Shareholders, and (iii) unanimously **RECOMMENDS** that Shareholders **ACCEPT** the Offer and **TENDER** their Shares to the Offer.

The obligation of the Offeror to take up and pay for Shares pursuant to the Offer is subject to various conditions. See Section 4 of the Offer, "Conditions of the Offer". If such conditions are met or waived, the Offeror will take up and pay for the Shares duly deposited and not withdrawn under the Offer in accordance with the terms of the Offer.

**The Offer is not being made to, nor will deposits be accepted from or on behalf of, Shareholders in any jurisdiction in which the making or acceptance thereof would not be in compliance with the Laws of such jurisdiction. However, the Offeror or its agents may, in their sole discretion, take such action as they may deem necessary to extend the Offer to Shareholders in any such jurisdiction.**

The Offer is open for acceptance until 1:01 a.m. (Calgary time) on August 22, 2008, subject to certain rights of extension and withdrawal. See Sections 5 and 7 of the Offer, "Variation or Extension of the Offer" and "Withdrawal of Deposited Shares".

No fee or commission will be payable by any holder who deposits their Shares directly to the Depositary or who uses the services of the Dealer Managers to accept the Offer. See Section 17 of the Circular, "Depositary, Financial Advisors, Dealer Managers and Information Agent".

The Offeror has retained the services of the Dealer Managers. Goldman Sachs Canada Inc. may form and manage a soliciting dealer group to solicit acceptances of the Offer, on terms and conditions, including the payment of fees and reimbursement of expenses, as are customary in such retainer agreements. The cost of solicitation will be borne by the Offeror. See Section 17 of the Circular, "Depositary, Financial Advisors, Dealer Managers and Information Agent."

**The Offer Documents collectively comprise, are incorporated into and form part of, the Offer and contain important information that should be read carefully before making a decision with respect to the Offer.**

### 2. TIME OF ACCEPTANCE

The Offer is open for acceptance until, but not later than, 1:01 a.m. (Calgary time) on August 22, 2008, or until such time and date to which the Offer may be extended by the Offeror at its discretion, subject to the terms and conditions of the Pre-Acquisition Agreement, unless withdrawn by the Offeror.

### **3. MANNER OF ACCEPTANCE**

#### **Letter of Acceptance and Transmittal**

The Offer may be accepted by delivering to the Depository at its offices listed in the Letter of Acceptance and Transmittal so as to arrive there not later than the Expiry Time:

- (a) the certificate or certificates representing the Shares in respect of which the Offer is being accepted;
- (b) the Letter of Acceptance and Transmittal or a manually-signed facsimile thereof, properly completed and duly executed as required by the instructions set out in the Letter of Acceptance and Transmittal; and
- (c) all other documents required by the instructions set out in the Letter of Acceptance and Transmittal.

Unless the procedures for guaranteed delivery set forth below are used, the Offer will not be validly accepted unless the Depository actually receives these documents at its office listed in the Letter of Acceptance and Transmittal on or before the Expiry Time.

If the certificate or certificates representing Shares are not available for deposit prior to the Expiry Time, Shareholders may accept the Offer by complying with the procedures for guaranteed delivery set forth below in this Section 3.

Except as otherwise provided in the instructions to the Letter of Acceptance and Transmittal or as may be permitted by the Offeror, all signature(s) on a Letter of Acceptance and Transmittal and on certificates representing Shares and, if necessary, on the Notice of Guaranteed Delivery, must be guaranteed by an Eligible Institution. If a Letter of Acceptance and Transmittal is executed by a Person other than the registered owner(s) of the Shares deposited therewith, and in certain other circumstances as set forth in the Letter of Acceptance and Transmittal, then the certificate(s) must be endorsed or be accompanied by an appropriate transfer power of attorney duly and properly completed by the registered owner(s), with the signature(s) on the endorsement panel or securities transfer power of attorney guaranteed by an Eligible Institution.

#### **Procedures for Guaranteed Delivery**

If a Shareholder wishes to deposit Shares pursuant to the Offer and: (i) the certificates representing such Shares are not immediately available; or (ii) such Shareholder cannot deliver the certificates and all other required documents to the Depository prior to the Expiry Time, such Shares may nevertheless be deposited pursuant to the Offer provided that all of the following conditions are met:

- (a) such deposit is made by or through an Eligible Institution;
- (b) a properly completed and duly executed Notice of Guaranteed Delivery, or a manually signed facsimile thereof, is received by the Depository at its Toronto, Ontario office set forth in the Notice of Guaranteed Delivery together with a guarantee from an Eligible Institution in the form set out in the Notice of Guaranteed Delivery on or prior to the Expiry Time; and
- (c) the certificate(s) representing deposited Shares, in proper form for transfer, together with a properly completed and duly executed Letter of Acceptance and Transmittal, or a manually-signed facsimile thereof, relating to the Shares and all other documents required by the Letter of Acceptance and Transmittal are received by the Depository at its Toronto, Ontario office set forth in the Notice of Guaranteed Delivery on or before 5:00 p.m. (Toronto time) on the third trading day on the TSX after the Expiry Date.

In each Notice of Guaranteed Delivery, an Eligible Institution must guarantee delivery of the certificate or certificates representing the Shares referenced therein, as set forth in paragraph (c) above. The Notice of Guaranteed Delivery may be delivered by hand or courier or transmitted by facsimile transmission or mailed to the Depository so as to be received by the Depository at its office in Toronto, Ontario no later than the Expiry Time. Delivery of the Notice of Guaranteed Delivery and the Letter of Acceptance and Transmittal and accompanying Share certificates to any office other than such office of the Depository does not constitute delivery for the purpose of satisfying a guaranteed delivery.

#### **General**

In all cases, payment for the Shares deposited and taken up by the Offeror will be made only after the timely receipt by the Depository of the certificates representing the Shares, together with a properly completed and duly executed Letter

of Acceptance and Transmittal, or manually signed facsimile thereof, relating to such Shares with the signatures guaranteed by an Eligible Institution, if required, in accordance with the instructions to the Letter of Acceptance and Transmittal, and any other required documents.

**The method of delivery of the Letter of Acceptance and Transmittal, certificates representing the Shares and all other required documents is at the option and risk of the Person depositing the same and will be deemed effective only when such documents are actually received. The Offeror recommends that such documents be delivered by hand to the Depositary and a receipt obtained or, if mailed, that registered mail be used and that proper insurance be obtained.**

**Persons whose Shares are registered in the name of a nominee should contact their broker, investment dealer, bank, trust company or other nominee for assistance in depositing their Shares to the Offer.**

All questions as to the validity, form, eligibility (including, without limitation, timely receipt) and acceptance of any Shares and accompanying documents deposited pursuant to the Offer will be determined by the Offeror in its sole discretion. Depositing Shareholders agree that such determination shall be final and binding. The Offeror reserves the absolute right to reject any and all deposits that the Offeror determines not to be in proper form or that may be unlawful to accept under the Laws of any jurisdiction. The Offeror reserves the absolute right to waive any defect or irregularity in any deposit of any Shares and accompanying documents. There shall be no duty or obligation on the Offeror, the Depositary, the Information Agent, the Dealer Managers, any Soliciting Dealer or any other Person to give notice of any defect or irregularity in any deposit, and no liability shall be incurred by any of them for failure to give any such notice. The Offeror's interpretation of the terms and conditions of the Offer (including the Circular, the Letter of Acceptance and Transmittal and the Notice of Guaranteed Delivery) shall be final and binding. The Offeror reserves the right to permit the Offer to be accepted in a manner other than that set out above.

#### **Power of Attorney**

The execution of a Letter of Acceptance and Transmittal by a Shareholder irrevocably constitutes and appoints any officer of the Offeror and any other Person designated by the Offeror in writing, as the true and lawful agent, attorney and attorney-in-fact and proxy of such Shareholder with respect to the Shares deposited under the Letter of Acceptance and Transmittal that are taken up and paid for under the Offer (the "**Purchased Shares**") and with respect to any and all dividends, distributions, payments, securities, rights, assets or other interests declared, paid, issued, distributed, made or transferred on or in respect of the Purchased Shares on or after the date that the Offeror takes up and pays for the Shares (collectively, the "**Other Securities**").

The power of attorney granted irrevocably upon execution of the Letter of Acceptance and Transmittal shall be effective on and after the Effective Date, with full power of substitution, in the name of and on behalf of such Shareholder (such power of attorney being deemed to be an irrevocable power coupled with an interest): (i) to register or record, transfer and enter the transfer of Purchased Shares and any Other Securities on the appropriate register of holders maintained by or on behalf of Duvernay; (ii) except as otherwise may be agreed, to exercise any and all of the rights of the holder of the Purchased Shares and/or any Other Securities, including, without limitation, to vote, execute and deliver any and all instruments of proxy, authorizations or consents in respect of all or any of the Purchased Shares and Other Securities, revoke any such instrument, authorization, or consent given prior to, on or after the Effective Date, designate in any such instruments of proxy any Person or Persons as the proxy or the proxy nominee or nominees of such Shareholders in respect of such Purchased Shares and/or Other Securities for all purposes, including, without limitation, in connection with any meeting (whether annual, special or otherwise and any adjournment or adjournments thereof) of holders of securities of Duvernay; (iii) to execute, endorse and negotiate, for and in the name of and on behalf of the registered holder of Purchased Shares and/or Other Securities, any and all cheques or other instruments respecting any distribution payable to or to the order of, or endorsed in favour of, such holder in respect of such Purchased Shares and/or Other Securities; and (iv) to exercise any other right of such holder in respect of such Purchased Shares and/or Other Securities.

A holder of Purchased Shares and/or Other Securities who executes a Letter of Acceptance and Transmittal agrees, effective on and after the Effective Date, not to vote any of the Purchased Shares and/or Other Securities at any meeting (whether annual, special or otherwise and any adjournments) of holders of securities of Duvernay and not to exercise any or all of the other rights or privileges attached to the Purchased Shares and/or Other Securities, and agrees to execute and deliver to the Offeror any and all instruments of proxy, authorizations or consents in respect of the Purchased Shares and/

or Other Securities and to designate in any such instruments of proxy the Person or Persons specified by the Offeror as the proxy or the proxy nominee or nominees of the holder in respect of the Purchased Shares and/or Other Securities.

Upon such appointment, all prior proxies given by the holder of such Purchased Shares and/or Other Securities with respect thereto shall be revoked and no subsequent proxies may be given by such Person with respect thereto. A holder of Purchased Shares and/or Other Securities who executes a Letter of Acceptance and Transmittal covenants to execute, upon request, any additional documents, transfers and other assurances as may be necessary or desirable to complete the sale, assignment and transfer of the Purchased Shares and/or Other Securities to the Offeror and acknowledges that all authority therein conferred or agreed to be conferred may be exercised during any subsequent legal incapacity of the holder and shall survive the death or incapacity, bankruptcy or insolvency of the holder and all obligations of the holder therein shall be binding upon the heirs, personal representatives, successors and assigns of the holder.

The deposit of Shares pursuant to the procedures set forth in this Offer will constitute a binding agreement between the depositing Shareholder and the Offeror upon the terms and subject to the conditions of the Offer, including the depositing Shareholder's representation and warranty to the effect that: (i) such Shareholder has full power and authority to deposit, sell, assign and transfer the Shares (and any Other Securities) being deposited and has not sold, assigned or transferred or agreed to sell, assign or transfer any of such Shares (and any Other Securities) to any other Person; (ii) the deposit of such Shares (and any Other Securities) complies with applicable Laws; and (iii) when such Shares (and any Other Securities) are taken up and paid for by the Offeror, the Offeror will acquire good title thereto, free and clear of all liens, restrictions, charges, encumbrances, claims and equities whatsoever.

#### 4. CONDITIONS OF THE OFFER

Subject to the provisions of the Pre-Acquisition Agreement, the Offeror shall have the right to withdraw or terminate the Offer and shall not be required to take up, purchase or pay for, and shall have the right to extend the period of time during which the Offer is open and postpone taking up and paying for, any Shares deposited under the Offer unless all of the following conditions are satisfied or waived by the Offeror at or prior to the Expiry Time:

- (a) there shall have been deposited under the Offer and not withdrawn at least 66 $\frac{2}{3}$ % of the Shares outstanding on a fully-diluted basis (the "**Minimum Tender Condition**");
- (b) all requisite Regulatory Approvals, including those of any stock exchanges, or other Canadian Securities Regulatory Authorities, as well as the Competition Act Approval and the Investment Canada Act Approval, shall have been obtained on terms satisfactory to the Offeror in its sole discretion, acting reasonably;
- (c) the Offeror shall have determined in its discretion, acting reasonably, that no act, action, suit or proceeding shall have been threatened or taken before or by any Governmental Authority, whether or not having the force of Law, and no Law shall have been proposed, enacted, promulgated or applied, in either case:
  - (i) to cease trade, enjoin, prohibit or impose material limitations, damages or conditions on the purchase by or the sale to the Offeror of the Shares or the right of the Offeror to own or exercise full rights of ownership of the Shares;
  - (ii) which, if the Offer were consummated, would reasonably be expected to have a Material Adverse Effect; or
  - (iii) which would materially and adversely affect the ability of the Offeror to proceed with the Offer (or any Compulsory Acquisition or Subsequent Acquisition Transaction) and/or take up and pay for any Shares deposited under the Offer;
- (d) the Offeror shall have determined in its discretion, acting reasonably, that there shall not exist any prohibition at Law against the Offeror making the Offer or taking up and paying for any Shares deposited under the Offer or completing any Compulsory Acquisition or Subsequent Acquisition Transaction;
- (e) there shall not exist or have occurred in the judgment of the Offeror, acting reasonably, a Material Adverse Change;

- (f) at the Expiry Time:
  - (i) all representations and warranties of Duvernay in the Pre-Acquisition Agreement:
    - (A) that are qualified by a reference to a Material Adverse Effect shall be true and correct in all respects; and
    - (B) that are not qualified by a reference to a Material Adverse Effect (other than with respect to outstanding share capital (both on an undiluted and fully-diluted basis) which shall be true and correct in all respects except for changes thereto resulting from the issuance of Shares under the terms of the Options) shall be true and correct in all respects unless the failure to be true or correct has not had or would not reasonably be expected to have a Material Adverse Effect; and
  - (ii) Duvernay shall have observed and performed its covenants in the Pre-Acquisition Agreement in all material respects to the extent that such covenants were to have been observed or performed by Duvernay at or prior to the Expiry Time;
- (g) the Pre-Acquisition Agreement shall not have been terminated;
- (h) the Lock-up Agreements shall have been complied with and shall not have been terminated, provided that this condition may not be asserted if the Minimum Tender Condition has been satisfied; and
- (i) all outstanding Options or warrants or any other rights or entitlements granted to purchase or otherwise acquire authorized and unissued Shares shall have been exercised in full, converted or repurchased, as the case may be, as permitted by the Pre-Acquisition Agreement or irrevocably released, surrendered or waived.

The foregoing conditions are for the exclusive benefit of the Offeror and may be asserted by the Offeror regardless of the circumstances giving rise to such assertion (including any action or inaction by the Offeror or any of its affiliates) giving rise to any such condition. The Offeror may, in its sole discretion, waive any of the foregoing conditions, in whole or in part, at any time and from time to time, both before and after the Expiry Time, without prejudice to any other rights which it may have. The failure by the Offeror at any time to exercise any of the foregoing rights will not be deemed to be a waiver of any such right and each such right shall be deemed to be an ongoing right which may be assessed at any time and from time to time. For greater certainty, each of the conditions set out in this Section 4 is independent of and in addition to each other condition set out in this Section 4 and may be asserted irrespective of whether any other condition may be asserted in connection with any particular event, occurrence or state of facts or otherwise. Any determination by the Offeror concerning the events described in this Section 4 will be final and binding upon all parties by the Offeror.

Any waiver of a condition or the withdrawal of the Offer shall be effective upon written notice or other communication confirmed in writing by the Offeror to that effect to the Depositary at its principal office in Calgary, Alberta. The Offeror, forthwith after giving any such notice, shall make a public announcement of such waiver or withdrawal, shall cause the Depositary, if required by Law, as soon as practicable thereafter to notify the Shareholders in the manner set forth in Section 11 of the Offer, "Notices and Delivery", and shall provide a copy of the aforementioned notice to the TSX. If the Offer is withdrawn or terminated, the Offeror shall not be obligated to take up and pay for any of the Shares deposited under such Offer and all certificates for deposited Shares, Letters of Acceptance and Transmittal, Notices of Guaranteed Delivery and related documents will promptly be returned at the Offeror's expense to the parties by whom they were deposited.

## **5. VARIATION OR EXTENSION OF THE OFFER**

The Offer is open for acceptance until, but not after, the Expiry Time unless withdrawn or extended.

Subject to the terms of the Pre-Acquisition Agreement, the Offeror may, in its sole discretion, at any time and from time to time during the Offer Period (or otherwise as permitted by applicable Law), vary the terms and conditions of the Offer (which variation may include an extension of the Expiry Time), provided that the Offeror shall not without the prior written consent of Duvernay: (i) change the number of Shares for which the Offer is made; (ii) increase the Minimum Tender Condition or decrease the Minimum Tender Condition to less than 50% of the issued and outstanding Shares (on a fully-diluted basis); (iii) decrease the consideration per Share (other than a downward adjustment if Duvernay at any time after the date of the Pre-Acquisition Agreement: (A) divides, combines, reclassifies, consolidates, converts or otherwise changes any of the Shares or its capitalization; (B) issues, grants or sells any Shares, Options, other securities, calls,

conversion privileges or rights of any kind to acquire any Shares or other securities (other than pursuant to the exercise of existing Options issued under the Duvernay Stock Option Plan); (C) discloses that it has taken or intends to take any such action; or (D) declares, makes or pays any distribution in respect of Shares that is payable or distributable to the Shareholders on a record date that is prior to the date of transfer of such Shares into the name of the Offeror or its nominees or transferees on the share register maintained by or on behalf of Duvernay); (iv) change the form of consideration payable under the Offer; (v) impose additional conditions to the Offer; or (vi) otherwise amend the Offer or any terms and conditions thereof in a manner adverse to Duvernay or the Shareholders. The Pre-Acquisition Agreement provides that the Offer shall, if any of the conditions of the Offer set forth in Section 4 of the Offer, "Conditions of the Offer", have not been satisfied or waived at the Expiry Time, expire at the Initial Expiry Time, except that the Offer may be extended at the sole discretion of the Offeror. Notwithstanding and without limiting the foregoing, the Offeror may at any time following the Initial Expiry Time, reduce the Minimum Tender Condition to a percentage greater than 50% of the Shares (on a fully-diluted basis) and shall, subject to the conditions of the Offer being satisfied or waived, take up and pay for all Shares validly deposited to the Offer.

Subject to the foregoing, the Offeror reserves the right, in its sole discretion, at any time and from time to time prior to or at the Expiry Time (or otherwise as permitted by applicable Law), to extend the Offer by fixing a new Expiry Date or to vary the terms of the Offer, in each case by giving written notice or other communication confirmed in writing of such extension or variation to the Depositary at its principal office in Calgary, Alberta. The Offeror, forthwith after giving any such notice or communication, shall make a public announcement of the extension or variation, shall cause the Depositary as soon as practicable thereafter to provide a copy of such notice or communication in the manner set forth in Section 11 of the Offer, "Notices and Delivery", to all Shareholders whose Shares have not been taken up at the date of the extension or variation and shall provide a copy of the aforementioned notice to the TSX. Any notice of extension or variation will be deemed to have been given and to be effective on the day on which it is delivered or otherwise communicated in writing to the Depositary at its principal office in Calgary, Alberta.

Notwithstanding the foregoing, the Offer may not be extended by the Offeror if all of the terms and conditions of the Offer, excluding those waived by the Offeror, have been fulfilled or complied with unless the Offeror first takes up all Shares then deposited under the Offer and not withdrawn.

Where the terms of the Offer are varied (except a variation consisting solely of a waiver of a condition), the Offer Period will not end before 10 days after the notice of such variation has been given to Shareholders, unless otherwise permitted by applicable Law and subject to abridgement or elimination of that period pursuant to such orders as may be granted by Canadian Securities Regulatory Authorities.

If at any time before the Expiry Time, or at any time after the Expiry Time but before the expiry of all rights of withdrawal with respect to the Offer, a change occurs in the information contained in the Offer or the Circular, each as amended from time to time, that would reasonably be expected to affect the decision of a holder of the Shares that are the subject of the Offer to accept or reject the Offer (other than a change that is not within the control of the Offeror or of an affiliate of the Offeror), the Offeror will give written notice of such change to the Depositary at its principal office in Calgary, Alberta, and will cause the Depositary to provide, as soon as practicable thereafter, a copy of such notice in the manner set forth in Section 11 of the Offer, "Notices and Delivery", to all holders of such Shares whose Shares have not been taken up pursuant to the Offer at the date of the occurrence of the change, if required by applicable Law. The Offeror will, as soon as practicable after giving notice of a change in information to the Depositary, make a public announcement of the change in information and provide a copy of the public announcement to the TSX. Any notice of change in information will be deemed to have been given and to be effective on the day on which it is delivered or otherwise communicated to the Depositary at its principal office in Calgary, Alberta.

During any extension, or in the event of any such variation or change in information, all Shares deposited and not taken up or withdrawn will remain subject to the Offer and may be taken up by the Offeror in accordance with the terms hereof, subject to Section 7 of the Offer, "Withdrawal of Deposited Shares". An extension of the Offer Period, a variation of the Offer or a change in information does not constitute a waiver by the Offeror of its rights under Section 4 of the Offer, "Conditions of the Offer".

If the consideration being offered for the Shares under the Offer is increased, the increased consideration will be paid to all depositing holders of the Shares whose Shares are taken up under the Offer without regard to the time at which such Shares are taken up by the Offeror.

## **6. TAKE UP AND PAYMENT FOR DEPOSITED SHARES**

Upon the terms and subject to the conditions of the Offer, the Offeror will take up and pay for Shares validly deposited under the Offer and not withdrawn pursuant to Section 7 of the Offer, “Withdrawal of Deposited Shares”, as soon as reasonably practicable, but in any event within three Business Days of the Expiry Time. Any Shares deposited under the Offer after the first date on which Shares have been taken up by the Offeror will be taken up and paid no later than 10 days of such deposit. No Shares that are deposited pursuant to the Offer will be taken up by the Offeror prior to the Expiry Date.

Subject to applicable Law, the Offeror expressly reserves the right, in its sole discretion, to delay taking up or paying for any Shares or to terminate the Offer and not take up or pay for any Shares if any condition specified in Section 4 of the Offer, “Conditions of the Offer”, is not satisfied or waived by the Offeror, in whole or in part, by giving written notice thereof or other communication confirmed in writing to the Depositary at its principal office in Calgary, Alberta. Subject to the terms of the Pre-Acquisition Agreement, the Offeror also expressly reserves the right, in its sole discretion, and notwithstanding any other condition of the Offer, to delay taking up and paying for Shares in order to comply, in whole or in part, with any applicable Law. The Offeror will not, however, take up and pay for any Shares deposited under the Offer unless the Offeror simultaneously takes up and pays for all Shares then validly deposited under the Offer. The Offeror will be deemed to have taken up and accepted for payment Shares validly deposited and not withdrawn pursuant to the Offer if, as and when the Offeror gives written notice or other communication confirmed in writing to the Depositary at its principal office in Calgary, Alberta of its acceptance for payment of such Shares pursuant to the Offer.

The Offeror will pay for Shares validly deposited under the Offer and not withdrawn by providing the Depositary with sufficient funds (by bank transfer or other means satisfactory to the Depositary) for delivery to Shareholders who have tendered and not withdrawn their Shares under the Offer.

Under no circumstances will interest accrue or be paid by the Offeror or the Depositary to Persons depositing Shares on the purchase price of Shares purchased by the Offeror, regardless of any delay in making such payment.

The Depositary will act as the agent of Persons who have deposited Shares in acceptance of the Offer for the purposes of receiving payment from the Offeror and transmitting payment to such Persons, and receipt of payment by the Depositary will be deemed to constitute receipt of payment by Shareholders who have deposited and not withdrawn their Shares pursuant to the Offer.

Settlement will be made by the Depositary issuing or causing to be issued a cheque (except for payments in excess of \$25 million, which will be made by wire transfer, in which case the Depositary will contact Shareholders promptly following the Expiry Time for purposes of obtaining wire instructions) payable in Canadian funds to which a Person depositing Shares is entitled. Subject to the foregoing and unless otherwise directed by the Letter of Acceptance and Transmittal, the cheque will be issued in the name of the registered holder of the Shares deposited. Unless the Person depositing the Shares instructs the Depositary to hold the cheque for pick-up by checking the appropriate box in the Letter of Acceptance and Transmittal, cheques will be forwarded by first class insured mail to such Person at the address specified in the Letter of Acceptance and Transmittal. If no address is specified, cheques will be forwarded to the address of the Shareholder as shown on the registers of securityholders maintained by Duvernay. Cheques mailed in accordance with this paragraph will be deemed to be delivered at the time of mailing. Pursuant to applicable Law, the Offeror may, in certain circumstances, be required to make withholdings from the amount otherwise payable to a Shareholder.

Depositing Shareholders will not be obligated to pay any brokerage fees or commissions if they accept the Offer by depositing their Shares directly with the Depositary. See “Depositary, Financial Advisors, Dealer Managers and Information Agent” in Section 17 of the Circular.

## **7. WITHDRAWAL OF DEPOSITED SHARES**

Except as otherwise stated in this Section 7 of the Offer, all deposits of Shares pursuant to the Offer are irrevocable. Unless otherwise required or permitted by applicable Law, any Shares deposited in acceptance of the Offer may be withdrawn by or on behalf of the depositing Shareholder:

- (a) at any time before the Shares have been taken up by the Offeror pursuant to the Offer;

- (b) at any time before the expiration of 10 days from the date upon which either:
  - (i) a notice of change relating to a change that has occurred in the information contained in the Offer or the Circular, each as amended from time to time, which change is one that would reasonably be expected to affect the decision of a Shareholder to accept or reject the Offer (other than a change that is not within the control of the Offeror or of an affiliate of the Offeror) in the event that such change occurs before the Expiry Time or after the Expiry Time but before the expiry of all rights of withdrawal in respect of the Offer; or
  - (ii) a notice of variation concerning a variation in the terms of the Offer (other than a variation consisting solely of an increase in the consideration offered for the Shares under the Offer where the time for deposit is not extended for a period greater than 10 days or variation consisting solely of a waiver of a condition of the Offer);

is mailed, delivered or otherwise properly communicated, but only if such deposited Shares have not been taken up by the Offeror at the time of the notice and subject to abridgement of that period pursuant to such order or orders as may be granted by Canadian courts or the Canadian Securities Regulatory Authorities; or

- (c) if the Shares have not been paid for by the Offeror within three Business Days after having been taken up.

If the Offeror waives any terms or conditions of the Offer and extends the Offer in circumstances where the rights of withdrawal set forth in Section 7(b) above are applicable, the Offer shall be extended without the Offeror first taking up the Shares that are subject to the rights of withdrawal.

Withdrawals of Shares deposited to the Offer must be effected by notice of withdrawal made by or on behalf of the depositing Shareholder and must be received by the Depositary at the place of deposit of the applicable Shares within the time limits indicated above. Any notice of withdrawal must: (a) be made by a method, including a manually signed facsimile transmission, that provides the Depositary with a written or printed copy; (b) be signed by the Person who signed the Letter of Acceptance and Transmittal accompanying, or the Notice of Guaranteed Delivery in respect of, the Shares that are to be withdrawn; and (c) specify such Person's name, the number of Shares to be withdrawn, the name of the registered holder and the certificate number shown on each certificate representing the Shares to be withdrawn. The withdrawal will take effect upon receipt by the Depositary of the properly completed notice of withdrawal. Any signature on the notice of withdrawal must be guaranteed by an Eligible Institution in the same manner as in a Letter of Acceptance and Transmittal (as described in the instructions set out in such letter), except in the case of Shares deposited for the account of an Eligible Institution. None of the Offeror, the Depositary, or any other Person will be under any duty to give notice of any defect or irregularity in any notice of withdrawal or shall incur any liability for failure to give such notice.

Withdrawals may not be rescinded and any Shares withdrawn will thereafter be deemed not validly deposited for purposes of the Offer. However, withdrawn Shares may be redeposited at any time at or prior to the Expiry Time by again following one of the procedures described in Section 3 of the Offer, "Manner of Acceptance".

If the Offeror is delayed in taking up or paying for Shares or is unable to take up or pay for Shares for any reason, then, without prejudice to the Offeror's other rights, Shares may not be withdrawn except to the extent that depositing Shareholders are entitled to withdrawal rights as set forth in this Section 7 or pursuant to applicable Law.

In addition to the foregoing rights of withdrawal, holders of Shares in certain provinces of Canada are entitled to statutory rights of rescission, price revision or to damages in certain circumstances. See Section 19 of the Circular, "Statutory Rights".

All questions as to the validity (including timely receipt) and form of notices of withdrawal will be determined by the Offeror, in its sole discretion, and such determination will be final and binding.

## **8. RETURN OF DEPOSITED SHARES**

Any deposited Shares not taken up and paid for by the Offeror will be returned, at the expense of the Offeror, to the depositing Shareholder, either by sending new certificates representing Shares not purchased or returning the deposited certificates (and other relevant documents). The certificates, if applicable, and other relevant documents will be forwarded by first class mail in the name of and to the address specified in the Letter of Acceptance and Transmittal or, if no such

name or address is so specified, then in such name and to such address as shown on the registers maintained by Duvernay, as soon as practicable following the Expiry Time or withdrawal or termination of the Offer.

## **9. CHANGES IN CAPITALIZATION, DIVIDENDS, DISTRIBUTIONS AND LIENS**

If, on or after the date hereof, Duvernay should: (a) divide, combine, reclassify, consolidate, convert or otherwise change any of the Shares or its capitalization; or (b) issue, grant or sell any Shares, Options, other securities, calls, conversion privileges or rights of any kind to acquire any Shares or other securities (other than pursuant to the exercise of existing Options issued under the Duvernay Stock Option Plan); or (c) disclose that it has taken or intends to take any such action, then the Offeror may, in its sole discretion and without prejudice to its rights under Section 4 of the Offer, "Conditions of the Offer", make such adjustments as it deems appropriate to the Offer Price or other terms of the Offer (including, without limitation, the type of securities offered to be purchased and the consideration payable therefor) to reflect such division, combination, reclassification, consolidation, conversion or other change.

Shares acquired pursuant to the Offer shall be transferred by the Shareholder and acquired by the Offeror free and clear of all liens, hypothecs, charges, encumbrances, claims and equities and together with all rights and benefits arising therefrom, including, without limitation, except as specified below, the right to any and all dividends, distributions, payments, securities, rights, property or other interests which may be declared, paid, accrued, issued, distributed, made or transferred on or after the date of the Offer on or in respect of the Shares.

If, on or after the date hereof, Duvernay should declare, make or pay any distribution in respect of Shares that is payable or distributable to the Shareholders on a record date that is prior to the date of transfer of such Shares into the name of the Offeror or its nominees or transferees on the share register maintained by or on behalf of Duvernay, then without prejudice to the Offeror's rights under Section 4 of the Offer, "Conditions of the Offer", in the case of any cash dividend, distribution or payment, the cash consideration payable per Share pursuant to the Offer will be reduced by the amount of any such dividend, distribution or payment, or in the case of any other distribution, the whole of any such distribution will, pursuant to the terms of the Offer and the Letter of Acceptance and Transmittal, be received and held by the depositing Shareholder for the account of and for the benefit of the Offeror and will be promptly remitted and transferred by the depositing Shareholder to the Depositary for the account of the Offeror, accompanied by appropriate documentation of transfer. Pending such remittance, the Offeror will be entitled to all rights and privileges as owner of any such distribution and may withhold the entire purchase price payable by the Offeror pursuant to the Offer or deduct from the purchase price payable by the Offeror pursuant to the Offer the amount or value of the distribution, as determined by the Offeror in its sole discretion.

## **10. MAIL SERVICE INTERRUPTION**

Notwithstanding the other provisions of the Offer Documents, cheques issued in consideration for Shares purchased pursuant to the Offer and certificates representing Shares to be returned will not be mailed if the Offeror determines, in its sole judgment, that delivery thereof by mail may be delayed. Persons entitled to cheques and certificates representing Shares which are not mailed for the foregoing reason may take delivery thereof at the office of the Depositary at which the deposited certificates representing Shares in respect of which such cheques are being issued were deposited upon application to the Depositary until such time as the Offeror has determined that delivery by mail will no longer be delayed. Notice of any determination by the Offeror not to mail as a result of mail service delay or interruption will be given in accordance with Section 11 of the Offer, "Notice and Delivery". Notwithstanding Section 6 of the Offer, "Take Up and Payment for Deposited Shares", the deposit of cheques with the Depositary for delivery to depositing Shareholders in such circumstances shall constitute delivery to the Persons entitled thereto and the Shares shall be deemed to have been paid for immediately upon such deposit.

## **11. NOTICES AND DELIVERY**

Without limiting any other lawful means of giving notice, any notice given or caused to be given by the Offeror or the Depositary under the Offer will be deemed to be properly given if it is mailed by first class mail, postage prepaid or sent by pre-paid courier to the registered holders of Shares at their addresses as shown on the registers maintained by Duvernay and will be deemed to have been received on the first day following the date of mailing or sending by courier which is a Business Day. These provisions apply notwithstanding any accidental omission to give notice to any one or more Shareholders and notwithstanding any interruption of postal service in Canada or the United States following mailing. In

the event of any interruption of mail service following mailing, the Offeror intends to make reasonable efforts to disseminate the notice by other means, such as publication. Except as otherwise required or permitted by Law, if post offices in Canada or the United States or elsewhere are not open for the deposit of mail or there is reason to believe that there is or could be a disruption in all or part of the postal service, any notice which the Offeror or the Depositary may give or cause to be given under the Offer, except as otherwise provided herein, will be deemed to have been properly given and to have been received by holders of Shares if: (i) it is given to the TSX for dissemination through its facilities; (ii) it is published once in the national edition of *The Globe and Mail* or *The National Post*, as well as in *La Presse*, provided that if the national edition of *The Globe and Mail* or *The National Post* is not being generally circulated, publication thereof shall be made in any other daily newspaper of general circulation published in the cities of Calgary, Alberta and Toronto, Ontario; and (iii) it is distributed through the facilities of the CNW Group.

Wherever the Offer calls for documents to be delivered to the Depositary, such documents will not be considered delivered unless and until they have been physically received at the office of the Depositary set forth in the Letter of Acceptance and Transmittal or Notice of Guaranteed Delivery, as applicable. Wherever the Offer calls for documents to be delivered to a particular office of the Depositary, such documents will not be considered delivered unless and until they have been physically received at that particular office at the address provided in the Letter of Acceptance and Transmittal or Notice of Guaranteed Delivery, as applicable.

## 12. ACQUISITION OF SHARES NOT DEPOSITED

### Compulsory Acquisition

If, by the Expiry Time or within 120 days after the date of the Offer, whichever period is shorter, the Offer has been accepted by the holders of not less than 90% of the Shares, other than Shares held at the date of the Offer by or on behalf of the Offeror or its affiliates or associates (as such terms are defined in the ABCA), and the Offeror acquires such deposited Shares, then the Offeror may acquire, pursuant to the provisions of Part 16 of the ABCA, the remaining Shares held by each Duvernay Shareholder who did not accept the Offer and any Person who subsequently acquires any such Shares (a “**Dissenting Offeree**”) on the same terms (including the Offer Price) as the Shares acquired under the Offer (a “**Compulsory Acquisition**”).

To exercise this statutory right, the Offeror must give notice (the “**Offeror’s Notice**”) to the Dissenting Offerees of such acquisition within 60 days after the termination of the Offer and in any event within 180 days after the date of the Offer. Within 20 days after sending the Offeror’s Notice, the Offeror must pay or transfer to Duvernay the amount of money or other consideration the Offeror would have had to pay or transfer to the Dissenting Offerees if they had elected to accept the Offer, to be held in trust for the Dissenting Offerees.

In accordance with Part 16 of the ABCA, within 20 days after receipt of the Offeror’s Notice, each Dissenting Offeree must send the certificates evidencing the Shares held by such Dissenting Offeree to Duvernay and must elect either to transfer such Shares to the Offeror on the terms on which the Offeror acquired Shares under the Offer or to demand payment of the fair value of the Shares by so notifying the Offeror. If the Dissenting Offeree fails to notify the Offeror within the applicable time period, the Dissenting Offeree will be deemed to have elected to transfer its Shares to the Offeror on the same terms (including the Offer Price) that the Offeror acquired the Shares under the Offer.

If a Dissenting Offeree has elected to demand payment of the fair value of its Shares, the Offeror may apply to a court having jurisdiction to hear an application to fix the fair value of the Shares of that Dissenting Offeree. If the Offeror fails to apply to a court within 20 days after it made the payment or transferred the other consideration to Duvernay, the Dissenting Offeree may then apply to the court within a further period of 20 days to have the court fix the fair value. If no such application is made by the Dissenting Offeree or the Offeror within such periods, the Dissenting Offeree will be deemed to have elected to transfer its Shares to the Offeror on the same terms that the Offeror acquired Shares from the Shareholders who accepted the Offer. Any judicial determination of the fair value of the Shares could be more or less than the amounts paid pursuant to the Offer.

Notwithstanding the fact that the Compulsory Acquisition procedures may be available under the ABCA, the Offeror may nonetheless elect to propose a Subsequent Acquisition Transaction.

**The foregoing is only a summary of the right of Compulsory Acquisition that may become available to the Offeror. The summary is not intended to be complete and is qualified in its entirety by the provisions of Part 16 of the ABCA. Shareholders should refer to Part 16 of the ABCA for the full text of the relevant statutory provisions,**

**and those who wish to be better informed about these provisions should consult their legal advisors. The provisions of Part 16 of the ABCA are complex and require strict adherence to notice and timing provisions, failing which such rights may be lost or altered.**

### **Subsequent Acquisition Transaction**

If the Offeror takes up and pays for Shares pursuant to the Offer, and if the foregoing statutory right of Compulsory Acquisition is not available or the Offeror elects not to pursue that right, the Offeror reserves the right (and currently intends to do so in the appropriate circumstances if the Offeror considers it necessary or desirable) to use all reasonable efforts to acquire the balance of the Shares as soon as practicable by way of a Subsequent Acquisition Transaction (as hereinafter defined). In order to effect a Subsequent Acquisition Transaction, the Offeror will seek to cause a special meeting of Shareholders to be called to consider an amalgamation, statutory plan of arrangement, reorganization, consolidation, recapitalization, or other transaction involving the Offeror and/or an affiliate of the Offeror for the purposes of Duvernay becoming, directly or indirectly, a wholly-owned subsidiary of the Offeror or effecting an amalgamation or merger of Duvernay's business and assets with or into the Offeror and/or an affiliate of the Offeror, carried out for a consideration per Share not less than the Offer Price (a **"Subsequent Acquisition Transaction"**). Pursuant to the terms of the Pre-Acquisition Agreement, Duvernay agreed that, in the event the Offeror takes up and pays for Shares under the Offer representing at least 50% of the Shares, it will assist the Offeror in connection with a Subsequent Acquisition Transaction to acquire the remaining Shares, provided that the consideration offered in connection with the Subsequent Acquisition Transaction for the Shares is at least equivalent to the consideration under the Offer.

Depending upon the nature and terms of the Subsequent Acquisition Transaction, the approval of at least two thirds of the votes cast by holders of the outstanding shares of the relevant class(es) and the approval of a majority of the votes cast by "minority" holders of such shares may be required at a meeting duly called and held for the purpose of approving the Subsequent Acquisition Transaction. The Offeror will cause Shares acquired under the Offer to be voted in favour of such a transaction. The timing and details of any such Subsequent Acquisition Transaction would necessarily depend upon a variety of factors, including the number of Shares acquired pursuant to the Offer.

In certain types of Subsequent Acquisition Transactions, the registered holders of Shares may have the right to dissent under the ABCA and be paid fair value for their securities, with such fair value to be determined by a court. The fair value of securities so determined could be more or less than the amount paid pursuant to the Offer or the Subsequent Acquisition Transaction. Any such judicial determination of the fair value of the Shares could be based upon considerations other than, or in addition to, the market price, if any, of the Shares.

A Subsequent Acquisition Transaction described above may constitute a "business combination" within the meaning of Multilateral Instrument 61-101 *Protection of Minority Securityholders in Special Transactions* ("**MI 61-101**"). Under MI 61-101, subject to certain exceptions, a Subsequent Acquisition Transaction may constitute a business combination if it would result in the interest of a Shareholder being terminated without such holder's consent, regardless of whether the Shares are replaced with another security. The Offeror expects that any Subsequent Acquisition Transaction relating to the Shares would be considered a business combination subject to MI 61-101.

In certain circumstances, the provisions of MI 61-101 may also deem any such Subsequent Acquisition Transaction to be "related party transaction". If the Subsequent Acquisition Transaction is a business combination carried out in accordance with MI 61-101 (or an exemption therefrom), the "related party transaction" provisions of MI 61-101 do not apply to such transaction. The Offeror intends to carry out any such business combination in accordance with MI 61-101, any successor provision or exemptions therefrom such that the "related party transaction" provisions of MI 61-101 will not apply to any business combination effected.

Unless exempted, MI 61-101 provides that any issuer proposing to carry out a business combination is required to prepare a formal valuation of the affected securities, being, in this case, the Shares, and, subject to certain exceptions, any non-cash consideration being offered to, or received by, the holders of the affected securities, and to provide to the holders of such securities a summary of such valuation or the entire valuation. In connection therewith, the Offeror intends to rely on an available exemption or to seek waivers pursuant to MI 61-101 exempting the Offeror or Duvernay or their respective affiliates, as applicable, from the requirement to prepare any such formal valuation. MI 61-101 provides an exemption for certain second-step business combinations completed within 120 days from the expiry of a formal take-over bid where the offeror discloses in the take-over bid circular that: (i) it intends to acquire the remainder of the securities under a statutory right of action or under a business combination no later than 120 days after the expiry of the take-over bid for the

consideration per security at least equal in value to and in the same form as the consideration that the tendering security holders in the take-over bid were entitled to receive in the bid; (ii) the consideration per security that the security holders would be entitled to receive in the business combination is at least equal in value to and is in the same form as the consideration that the tendering security holders were entitled to receive in the take-over bid; and (iii) the take-over bid disclosure documents describe the expected tax consequences of both the bid and the business combination if, at the time the bid was made, the tax consequences arising from the business combination were reasonably foreseeable to the Offeror and were reasonably expected to be different from the tax consequences of tendering to the bid, and disclosed that the tax consequences of the bid and the business combination may be different if, at the time the bid was made, the Offeror could not reasonably foresee the tax consequences arising from the business combination.

The Offeror currently intends, and the Pre-Acquisition Agreement provides, that the consideration offered under any Subsequent Acquisition Transaction proposed by it would be at least equal in value to and in the same form as the consideration offered under the Offer, and that such Subsequent Acquisition Transaction would be completed no later than 120 days after the Expiry Date. The Offeror has included the disclosure required under MI 61-101 in the Offer and Circular. In this regard, the Offeror expects to rely on the exemption from the requirement to prepare a formal valuation in connection with any Subsequent Acquisition Transaction that it might effect.

Subject to available exemptions, MI 61-101 requires that, in addition to any other required shareholder approval, in order to complete a business combination, the approval of a majority of the votes cast by each class of affected securities at a meeting of securityholders of that class called to consider the transaction be obtained. In relation to the Offer, as well as any second-step business combination, this “minority approval” must be obtained from, unless an exemption is available or discretionary relief is granted by the Canadian Securities Regulatory Authorities, all Shareholders, excluding the votes attached to Shares beneficially owned or over which control or direction is exercised by the Offeror, any “interested party”, any “related party” of an “interested party” (unless the related party meets that description solely in its capacity as a director or senior officer of one or more Persons that are neither interested parties nor issuer insiders of the issuer) or a joint actor with any such interested party or related party of an interested party for purposes of MI 61-101.

MI 61-101 also provides, however, that, subject to certain terms and conditions, the votes attached to the Shares acquired under the Offer may be included as votes in favour of a subsequent business combination in determining whether minority approval has been obtained if certain conditions are satisfied, which the Offer currently believes will be satisfied. Specifically, the Offeror currently intends that the consideration offered under any Subsequent Acquisition Transaction would be at least equal in value to and in the same form as the consideration paid to tendering Shareholders under the Offer, that such business combination would be completed no later than 120 days after the Expiry Date and that the disclosure required under MI 61-101 is contained in the Offer and Circular. Accordingly, the Offeror intends that the votes attached to the Shares acquired by it under the Offer will be included as votes in favour of a second-step business combination in determining whether minority approval has been obtained in connection with a Subsequent Acquisition Transaction. To the knowledge of the Offeror, as of the date hereof, after reasonable enquiry, no votes attached to any Shares would be required to be excluded in determining whether minority approval for any Subsequent Acquisition Transaction had been obtained.

Under MI 61-101, if, following the Offer, the Offeror and its affiliates beneficially own, in the aggregate, 90% or more of the Common Shares at the time the business combination is agreed to, the requirement for minority approval under MI 61-101 would not apply to the business combination if a statutory appraisal remedy is available, or if no statutory appraisal remedy is available, a substantially equivalent enforceable right is provided to holders of the class of affected securities.

Any Subsequent Acquisition Transaction may also result in Shareholders having the right to dissent and demand payment of the fair value of their Common Shares. If the statutory procedures are complied with, this right could lead to a judicial determination of the fair value required to be paid to such dissenting shareholders for their Shares. The fair value of Shares, as determined in this fashion, could be more or less than the amount paid per Share pursuant to the Subsequent Acquisition Transaction or the Offer.

The tax consequences to a Shareholder arising from a Subsequent Acquisition Transaction may be different from the tax consequences to such Shareholder of tendering to the Offer. See Sections 15 and 16 of the Circular, “Certain Canadian Federal Income Tax Considerations” and “Certain United States Federal Income Tax Consequences” for a description of the expected tax consequences of both the Offer and a Subsequent Acquisition Transaction. **Shareholders should consult**

**their legal advisors for a determination of their legal rights with respect to a Subsequent Acquisition Transaction if and when proposed.**

### **Other Alternatives**

If the Offeror is unable to or decides not to effect a Compulsory Acquisition or propose a Subsequent Acquisition Transaction involving Duvernay, or proposes a Subsequent Acquisition Transaction but cannot obtain any required approval, the Offeror will evaluate other available alternatives to acquire the remaining Shares. Such alternatives could include, to the extent permitted by applicable Law, purchasing additional Shares in the open market, in privately negotiated transactions, in another take-over bid or exchange offer or otherwise, or taking no further action to acquire additional Shares. Any additional purchases of Shares could be at a price greater than, equal to or less than the price to be paid for Shares under the Offer and could be for cash and/or securities or other consideration. Alternatively, the Offeror may sell or otherwise dispose of any or all Shares acquired pursuant to the Offer or otherwise. Such transactions may be effected on terms and at prices then determined by the Offeror, which may vary from the price paid for Shares under the Offer.

### **Judicial Developments**

Prior to the adoption of MI 61-101 (or its predecessors), Canadian courts had in several instances granted preliminary injunctions to prohibit transactions involving going private transactions. The Offeror has been advised that the trend in both legislation and Canadian jurisprudence has been towards permitting going private transactions to proceed subject to compliance with procedures designed to ensure procedural and substantive fairness to minority shareholders. **Shareholders should consult their legal advisors for a determination of their legal rights.**

## **13. MARKET PURCHASES AND SALES OF SHARES**

The Offeror reserves the right to, and may, acquire or cause an affiliate to acquire beneficial ownership of Shares by making purchases through the facilities of the TSX at any time and from time to time prior to the Expiry Time in accordance with applicable Securities Laws and subject to compliance with applicable U.S. federal securities laws and regulations. In no event will the Offeror make any such purchases of Shares through the facilities of the TSX until the third Business Day following the date of the Offer. If the Offeror should acquire Shares by making purchases through the facilities of the TSX during the Offer Period, the Shares so purchased shall be counted in any determination as to whether the Minimum Tender Condition has been fulfilled. The aggregate number of Shares acquired in this manner will not exceed 5% of the Shares outstanding on the date of the Offer and the Offeror will issue and file a press release containing the information prescribed by Law forthwith after the close of business of the TSX on each day on which such Shares have been purchased.

Although the Offeror has no current intention to sell Shares taken up under the Offer, it reserves the right, subject to applicable Laws, to make or enter into an arrangement, commitment or understanding during the Offer Period to sell any of such Shares after the Offer Period.

## **14. OTHER TERMS**

The Offer and all contracts resulting from the acceptance of the Offer shall be governed by and construed in accordance with the Laws of the Province of Alberta and the Laws of Canada applicable therein. Each party to any agreement resulting from the acceptance of the Offer unconditionally and irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Alberta and the courts of appeal therefrom.

**No broker, dealer or other Person has been authorized to give any information or to make any representation on behalf of the Offeror or its affiliates other than as contained in the Offer or in the accompanying Circular, and, if such information is given or made, such information or representation must not be relied upon as having been authorized. No broker, dealer or other Person shall be deemed to be the agent of the Offeror, the Depositary or the Dealer Managers for the purposes of the Offer. In any jurisdiction in which the Offer is required to be made by a licensed broker or dealer, the Offer shall be made on behalf of the Offeror by brokers or dealers licensed under the Laws of such jurisdiction.**

The Offeror shall, in its sole discretion, be entitled to make a final and binding determination of all questions relating to the interpretation of the Offer, the Circular, the Letter of Acceptance and Transmittal and the Notice of Guaranteed Delivery, the validity of any acceptance of this Offer and any withdrawals of Shares, including, without limitation, the satisfaction or non-satisfaction of any condition, the validity, time and effect of any deposit of Shares or notice of withdrawal thereof, and the due completion and execution of the Letters of Acceptance and Transmittal and Notices of Guaranteed Delivery. The Offeror reserves the right to waive any defect in acceptance with respect to any particular Share or any particular Shareholder. There shall be no obligation on the Offeror, the Depositary or the Dealer Managers to give notice of any defects or irregularities in acceptance and no liability shall be incurred by any of them for failure to give any such notification.

**The Offer is not being made to (nor will deposits be accepted from or on behalf of) Shareholders residing in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the Laws of such jurisdiction. However, the Offeror may, in its sole discretion, take such action as it may deem necessary to make the Offer in any such jurisdiction and extend the Offer to Shareholders in any such jurisdiction.**

The Offer and the accompanying Circular and the other documents referred to above together constitute the takeover bid circular required under Canadian provincial securities legislation with respect to the Offer.

DATED: July 17, 2008

**BRS GAS CORP.**

*(signed) "Bryan Gould"*  
President and Chief Executive Officer

**The provisions of the Glossary, Summary, Circular, Letter of Acceptance and Transmittal and Notice of Guaranteed Delivery accompanying the Offer, including the instructions contained therein, as applicable, form part of the terms and conditions of the Offer.**

## CIRCULAR

*The following information in this Circular is provided in connection with the Offer made by the Offeror dated July 17, 2008 to purchase all of the Shares (including Shares issuable upon the exercise of outstanding Options). The terms, conditions and provisions of the Offer Documents are incorporated into and form part of this Circular, and collectively constitute the take-over bid circular of the Offeror. Certain terms used in this Circular are defined in the Glossary. Shareholders should refer to the Offer Documents for details of the terms and conditions of the Offer.*

*The information concerning Duvernay contained in the Offer Documents has been taken from or is based upon publicly available documents or records on file with the Canadian Securities Regulatory Authorities and other public sources and information provided to the Offeror by Duvernay, and has not been independently verified by the Offeror or Shell Canada. Although neither Shell Canada nor the Offeror has any knowledge that would indicate that any statements contained herein taken from or based upon such documents and records or other information are untrue or incomplete, neither the Offeror nor Shell Canada assumes any responsibility for the accuracy or completeness of the information taken from or based upon such documents, records and information, or for any failure by Duvernay to disclose publicly events or facts that may have occurred or that may affect the significance or accuracy of any such information but that are unknown to the Offeror or Shell Canada. Pursuant to the provisions of Securities Laws, the directors of Duvernay must send a circular to all Shareholders in connection with the Offer, which circular, together with other information, must disclose any material changes in the affairs of Duvernay subsequent to the date of the most recent published financial statements of Duvernay.*

### 1. THE OFFEROR AND SHELL CANADA

#### General

The Offeror was incorporated on July 15, 2008 under the ABCA and is a wholly-owned subsidiary of Shell Canada. The registered office of the Offeror is located at 400 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 0J4. The Offeror was formed to make the Offer and has not carried on any business other than that indicated prior to making the Offer.

Shell Canada is a large integrated petroleum company in Canada, producing natural gas, natural gas liquids and bitumen. It is Canada's largest producer of sulphur and is a leading manufacturer, distributor and marketer of refined petroleum products. Shell Canada was incorporated under the laws of Canada. Shell Canada's offices are located at 400 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 0J4.

### 2. DUVERNAY

#### General

Duvernay's principal business is the acquisition, exploration, development and production of natural gas and crude oil, with emphasis on the deeper, western portion of the Western Canadian Sedimentary Basin in Alberta and north eastern British Columbia. The head office of Duvernay is located at 1500, 202 – 6<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 2R9 and its registered office is located at 3700, 400 – 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, T2P 4H2. Duvernay was incorporated under the ABCA on June 27, 2001. Duvernay filed Articles of Amendment on August 30, 2001 to reorganize its share capital and to remove "private company" provisions from its Articles. Effective January 1, 2004, Duvernay amalgamated with Segue Energy Corporation, a wholly-owned subsidiary.

The Shares trade on the facilities of the TSX under the symbol "DDV". Duvernay is a reporting issuer in each of the Provinces of Canada.

Duvernay is a "foreign private issuer" as defined in Rule 3b-4 under the United States *Securities Exchange Act of 1934*, as amended (the "**Exchange Act**") and does not have actual knowledge that U.S. holders of Shares hold 40% or more of the Shares as calculated under instruction 2 to paragraph (d) of Rule 14d-1 of the Exchange Act.

#### Capital Structure of Duvernay

The authorized capital of Duvernay consists of an unlimited number of Shares, an unlimited number of Class A Shares, an unlimited number of First Preferred Shares, issuable in series, an unlimited number of Second Preferred Shares, of which 62,834,729 Shares were issued and outstanding and no Class A Shares, no First Preferred Shares and no Second Preferred Shares were issued and outstanding as at July 16, 2008. As of the date of the Offer, 4,474,862 Shares were

issuable pursuant to the exercise of outstanding Options. To the knowledge of the Offeror, there are no other issued and outstanding shares of Duvernay or securities of Duvernay convertible into or exchangeable for Shares.

### Stock Option Plan

**The Offer is made only for the Shares and is not made for any options or other rights, if any, to purchase or to receive Shares.** Holders of Options who wish to accept the Offer must exercise their Options in order to obtain certificates representing Shares and then deposit those Shares under the Offer. Holders of Options will have the choice of either (i) exercising their Options and tendering the Shares issued in connection therewith to the Offer, or (ii) surrendering their Options to Duvernay pursuant to the Duvernay Stock Option Plan for the aggregate of the in-the-money amount of such surrendered Options (less applicable withholdings), in each case conditional upon the Offeror taking up Shares under the Offer. See Section 1 of the Offer, “The Offer”.

### Price Ranges and Trading Volumes of Shares

The Shares are listed and posted for trading on the TSX under the symbol “DDV”. The TSX is the principal market for the Shares. If the Offer is successful, the Offeror intends to delist the Shares from the TSX. The following table sets forth the reported high and low sales prices and the cumulative volume of trading of the Shares on the TSX for the periods indicated:

<u>Period</u>	<u>Price Range</u>		<u>Trading Volume</u>
	<u>High</u>	<u>Low</u>	
<b>2007</b>			
July . . . . .	\$37.49	\$32.29	5,830,566
August . . . . .	\$35.44	\$30.61	5,254,179
September . . . . .	\$35.01	\$30.96	3,072,223
October . . . . .	\$34.91	\$31.25	3,864,975
November . . . . .	\$34.71	\$24.01	8,755,331
December . . . . .	\$29.25	\$23.91	6,854,483
<b>2008</b>			
January . . . . .	\$31.47	\$25.21	5,803,655
February . . . . .	\$39.09	\$31.22	8,702,982
March . . . . .	\$44.34	\$36.35	7,875,575
April . . . . .	\$50.00	\$42.59	7,265,672
May . . . . .	\$58.44	\$47.50	9,021,213
June . . . . .	\$67.59	\$56.29	10,676,518

The Offer was announced to the public on July 14, 2008. On July 11, 2008, the last trading day prior to the announcement of the Offer, the closing price on the TSX of the Shares was \$58.44. The Offer represents a premium of approximately 42% over the closing price of the Shares on the last trading day immediately preceding the announcement of the Offer and a premium of approximately 36% over the volume weighted average trading price of the Shares on the TSX for 30 trading days immediately preceding the announcement of the Offer.

## Previous Distributions

Based on publicly available information, no distributions of Shares were effected during the five years preceding the date of the Offer, except for the following:

<u>Date</u>	<u>Description of Distribution</u>	<u>Number of Securities</u>	<u>Price Per Security</u>	<u>Aggregate Gross Proceeds to Duvernay</u>
August 13, 2003 . . . . .	Issuance in Connection with Acquisition <sup>(1)</sup>	4,995,258 Class A Shares <sup>(2)</sup>	N/A	N/A
February 3, 2004 . . . . .	Initial Public Offering	5,000,000 Shares	\$10.50	\$52,500,000
June 29, 2004 . . . . .	Private Placement	1,600,000 Flow-Through Shares	\$15.75	\$25,200,000
November 19, 2004 . . . . .	Public Offering	2,500,000 Shares	\$17.00	\$42,500,000
April 5, 2005 . . . . .	Private Placement	1,150,000 Flow-Through Shares	\$35.50	\$40,825,000
June 28, 2005 . . . . .	Public Offering	1,800,000 Shares	\$27.75	\$49,950,000
October 18, 2005 . . . . .	Private Placement	800,000 Flow-Through Shares	\$52.00	\$41,600,000
February 9, 2006 . . . . .	Public Offering	1,250,000 Shares	\$44.50	\$55,625,000
May 31, 2006 . . . . .	Private Placement	1,000,000 Flow-Through Shares	\$56.00	\$56,000,000
October 12, 2006 . . . . .	Private Placement	1,100,000 Flow-Through Shares	\$43.75	\$48,125,000
February 27, 2007 . . . . .	Private Placement	1,000,000 Flow-Through Shares	\$41.50	\$41,500,000
June 5, 2007 . . . . .	Public Offering	1,500,000 Shares	\$40.35	\$60,525,000
October 4, 2007 . . . . .	Private Placement	1,000,000 Flow-Through Shares	\$43.10	\$43,100,000
March 4, 2008 . . . . .	Private Placement	720,000 Flow-Through Shares	\$42.25	\$30,420,000
May 6, 2008 . . . . .	Public Offering	2,000,000 Shares	\$45.50	\$91,000,000

**Notes:**

- (1) Duvernay acquired all of the issued and outstanding equity securities in the capital of Segue Energy Corporation in exchange for such Class A Shares.
- (2) All such Class A Shares converted into Shares on a one-for-one basis in connection with Duvernay's initial public offering.

## Information and Reporting Requirements

Duvernay is subject to the information and reporting requirements of the ABCA, the Securities Laws of each of the provinces in Canada and the rules of the TSX. In accordance therewith, Duvernay is required to file reports and other information with the Canadian Securities Regulatory Authorities and with the TSX relating to its business, financial statements and other matters which may be inspected at the offices or through the facilities of such Canadian Securities Regulatory Authorities and the TSX. Information as of particular dates concerning Duvernay's directors and officers, their remuneration, stock options granted to them, the principal holders of Shares and any material interest of such Persons in material transactions with Duvernay and other matters is required to be disclosed in proxy statements distributed to Shareholders and filed with certain of such securities regulatory authorities and with the TSX.

**Pursuant to the provisions of the Securities Laws of the provinces of Canada, the directors of Duvernay must send a circular to all Shareholders in connection with the Offer, which circular, together with other information, must disclose any material changes in the affairs of Duvernay subsequent to the date of the most recent published financial statements of Duvernay.**

### **3. BACKGROUND TO AND REASONS FOR THE OFFER**

#### **Background to the Offer**

On July 7, 2008, representatives of Shell Canada met with Mr. Michael Rose, Chairman, President and Chief Executive Officer of Duvernay, to express interest in the potential acquisition by Shell Canada of Duvernay at a price of \$83.00 per Share in cash. At such meeting, Shell Canada delivered a non-binding proposal letter to Duvernay. The proposal letter was subject to various conditions, including satisfactory completion of due diligence, negotiation of definitive transaction documentation and the commitment of Duvernay to negotiate exclusively with Shell Canada during such process.

On July 8, 2008, Mr. Rose contacted Mr. Bryan Gould, Vice President, New Business Development of Shell Canada, regarding Shell Canada's proposal and seeking an increase in the proposed offer price. Later in the day on July 8, 2008, Mr. Gould contacted Mr. Rose and informed him that Shell Canada was not prepared to increase its offer price.

On July 9, Mr. Rose and Mr. Gould, along with other representatives of their respective companies, agreed to continue discussions based on consideration of \$83.00 per Share subject to satisfactory completion of due diligence and Duvernay agreeing to a period of exclusive negotiations.

On July 9, 2008, the Confidentiality Agreement was signed. Pursuant to a letter agreement entered into simultaneously with the Confidentiality Agreement, Duvernay agreed to negotiate with Shell Canada on an exclusive basis, subject to certain limited exceptions, until 7:00 a.m. on July 14, 2008.

On July 10, 2008, Shell Canada commenced its due diligence review of Duvernay and Duvernay, with its legal counsel Burnet, Duckworth & Palmer LLP and financial advisor Peters & Co. Limited, and Shell Canada, with its legal counsel Osler, Hoskin & Harcourt LLP and financial advisor Goldman, Sachs & Co., began the negotiation of definitive transaction documentation.

On July 13, 2008, the board of directors of each of Duvernay and Shell Canada unanimously approved the transaction. Prior to the opening of the TSX on July 14, 2008, the Pre-Acquisition Agreement and the Lock-up Agreements were executed.

Also on July 14, 2008, Duvernay issued a press release prior to the opening of the TSX announcing that Shell Canada, or its nominee, would make an offer to purchase all of the Shares of Duvernay at a price of \$83.00 per Share.

### **4. AGREEMENTS RELATED TO THE OFFER**

#### **Confidentiality Agreement**

On July 9, 2008, Shell Canada and Duvernay executed the Confidentiality Agreement. The Confidentiality Agreement contains customary provisions, including provisions whereby Shell Canada agrees to keep information received from Duvernay confidential for a period of 12 months from the date of the Confidentiality Agreement.

#### **Pre-Acquisition Agreement**

The following is a summary only of the material provisions of the Pre-Acquisition Agreement and is qualified in its entirety by the provisions of the Pre-Acquisition Agreement. The Pre-Acquisition Agreement has been filed by Duvernay with the Canadian Securities Regulatory Authorities and is available on Duvernay's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **General**

Pursuant to the Pre-Acquisition Agreement, Shell Canada agreed to make, or cause a wholly-owned subsidiary to make, by way of take-over bid, the Offer to purchase all of the Shares, including any and all Shares issued or issuable upon the exercise of Options or other securities in the capital of Duvernay, at a price of \$83.00 in cash per Share.

The Offeror is not a party to the Pre-Acquisition Agreement and is making the Offer as the nominee of Shell Canada, as permitted by the Pre-Acquisition Agreement. The Pre-Acquisition Agreement provides that Shell Canada shall continue to be liable to Duvernay for any default in performance by the Offeror under the Offer.

The Pre-Acquisition Agreement provides that the Offer is subject to certain conditions, including that there shall have been deposited under the Offer and not withdrawn at least 66 $\frac{2}{3}$ % of the Shares outstanding on a fully-diluted basis and the receipt of all required Regulatory Approvals on terms satisfactory to the Offeror, acting reasonably. Unless all of the conditions of the Offer are satisfied or waived by the Offeror at or prior to the Expiry Time, the Offeror has the right to withdraw the Offer or terminate the Offer and shall not be required to take up, purchase or pay for, and shall have the right to extend the period of time during which the Offer is open and postpone taking up and paying for, any Shares deposited under the Offer. See Section 4 of the Offer, "Conditions of the Offer".

#### ***Approval by the Board of Directors of Duvernay***

Pursuant to the Pre-Acquisition Agreement, Duvernay agreed to support the Offer and confirmed that the Board of Directors, upon consultation with its outside legal and financial advisors and upon consideration of the Fairness Opinion, had unanimously determined that the consideration to be received under the Offer is fair, from a financial point of view, to the Shareholders and that the Offer is in the best interests of Duvernay and the Shareholders, had unanimously approved the Offer and the Pre-Acquisition Agreement and had unanimously passed a resolution to recommend that Shareholders accept the Offer and tender their Shares to the Offer; provided that Duvernay may accept, approve or implement a Superior Proposal from a third party in accordance with the terms set forth in the Pre-Acquisition Agreement.

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

The Pre-Acquisition Agreement contains a number of customary representations and warranties of Duvernay and Shell Canada relating to, among other things: corporate status and the corporate authorization and enforceability of, and board approval of, the Pre-Acquisition Agreement. The representations and warranties also address various matters relating to the business, operations and properties of Duvernay.

#### ***Cease Negotiations***

Pursuant to the Pre-Acquisition Agreement, Duvernay agreed with the Offeror that it would immediately cease and cause to be terminated all existing discussions, solicitations, initiations, encouragements and negotiations, if any, with any Person (other than the Offeror or its affiliates) conducted on or before the date of the Pre-Acquisition Agreement by Duvernay or Duvernay Representatives with respect to any actual or potential Acquisition Proposal. Duvernay also agreed that it and the Duvernay Representatives will terminate access for all Persons (other than the Offeror and the Offeror Representatives) to any data room and cease to provide access to information concerning Duvernay, and that Duvernay shall send a letter to all Persons who have had discussions or negotiations or who have entered into confidentiality agreements with Duvernay pertaining to any actual or potential Acquisition Proposal requesting, in accordance with any confidentiality agreement signed with any such Person, the return or destruction of any confidential information provided to such Person, and Duvernay is required to use its commercially reasonable efforts to ensure that such requests are complied with. Duvernay also agreed that it shall immediately advise the Offeror orally and in writing of any response or action (actual, anticipated, contemplated or threatened) by any recipient of such letter which could hinder, prevent or delay or otherwise adversely affect the completion of the Offer.

#### ***No Solicitation***

Duvernay agreed that after the execution of the Pre-Acquisition Agreement it would not, and would not authorize or permit any of the Duvernay Representatives to, directly or indirectly: (i) solicit, assist, initiate, or knowingly encourage or otherwise facilitate any inquiries, proposals, offers or expressions of interest regarding any actual or potential Acquisition Proposal; (ii) engage in any discussions or negotiations regarding any actual or potential Acquisition Proposal or accept or enter into, or publicly propose to accept or enter into, any letter of intent, agreement in principle, agreement, arrangement or undertaking related to any Acquisition Proposal; (iii) furnish or provide access to any information concerning Duvernay, its business, properties or assets to any Person in connection with or that could reasonably be expected to lead to or facilitate, an Acquisition Proposal; (iv) withdraw, modify or qualify, or propose publicly to withdraw, modify or qualify, in any manner adverse to the Offeror, the approval or recommendation of the Board of Directors (including any

committee thereof) of the Pre-Acquisition Agreement or the Offer; (v) accept, approve or recommend, or remain neutral with respect to, or propose publicly to accept, approve or recommend, or remain neutral with respect to, any Acquisition Proposal; or (vi) waive any provision of or release or terminate any standstill provisions contained in any confidentiality, non-disclosure, standstill or other agreements relating to any actual or potential Acquisition Proposal, or amend any such agreement or consent to the making of an Acquisition Proposal in accordance with the terms of such agreement.

The foregoing restrictions do not prevent Duvernay from: (i) engaging in discussions or negotiations with any Person who (without any solicitation, initiation or encouragement, directly or indirectly, by Duvernay or any Duvernay Representatives) seeks to initiate such discussions or negotiations, providing or furnishing such party with information concerning Duvernay and its business, properties and assets and participating in or taking any other action if such party has first made a *bona fide* written Acquisition Proposal and the Board of Directors determines such Acquisition Proposal is a Superior Proposal and further determines in good faith, after considering applicable Law and receiving the advice of outside legal counsel that such action is necessary in order for the Board of Directors to comply with its fiduciary duties under applicable Law; (ii) complying with applicable rules under Securities Laws relating to the provision of directors' circulars, and making appropriate disclosure with respect to any such Acquisition Proposal to Shareholders; and (iii) accepting, recommending, approving or entering into any agreement to implement a Superior Proposal but only if prior to such acceptance, recommendation, approval or entering into of an agreement or release, the Board of Directors shall have concluded in good faith, after considering the provisions of applicable Law and after giving effect to all proposals to adjust the terms and conditions of the Pre-Acquisition Agreement and the Offer which may be offered by the Offeror during the 72 hour match period set forth in the Pre-Acquisition Agreement and after receiving the advice of outside counsel, that such action is necessary in order for the Board of Directors to comply with its fiduciary duties under applicable Law.

Duvernay has further agreed that neither Duvernay nor any Duvernay Representative shall provide or furnish any information to any Person in connection with or that could reasonably be expected to lead to or facilitate an Acquisition Proposal unless (i) Duvernay has entered into a confidentiality and standstill agreement with such Person containing confidentiality and standstill provisions that are no less restrictive than those contained in the Confidentiality Agreement; (ii) Duvernay sends a copy of any such confidentiality and standstill agreement to the Offeror promptly upon its execution; (iii) the Offeror is provided with a complete list or copies of any and all information provided to such Person on a timely basis (unless previously provided to the Offeror); and (iv) the Offeror is provided on a timely basis with similar access to information and personnel to that which such Person was provided. Duvernay has also agreed that it will immediately notify the Offeror orally (and then in writing within 24 hours) after it or any Duvernay Representative has received any proposal, inquiry, offer or request (or any amendment thereto) relating to or constituting an Acquisition Proposal, any request for discussions or negotiations, or any request for information relating to Duvernay in connection with an Acquisition Proposal or a potential Acquisition Proposal or for access to the properties or books and records thereof of which Duvernay or any of the Duvernay Representatives is or becomes aware, or any amendments to the foregoing. Such notice shall include a description of the terms and conditions of, and the identity of the Person making, any Acquisition Proposal, inquiry, offer or request (including any amendment thereto).

### ***Right to Match***

Pursuant to the Pre-Acquisition Agreement, Duvernay agreed to immediately provide the Offeror with (i) a copy of any written notice or other written communication from any Person informing Duvernay that it is considering making, or has made, an Acquisition Proposal, (ii) a copy of any Acquisition Proposal (or any amendment thereof) received by Duvernay, and (iii) such other details of any such Acquisition Proposal that the Offeror may reasonably request. Duvernay has agreed to keep the Offeror fully informed of the status and general progress (including amendments or proposed amendments) of any such request or Acquisition Proposal and keep the Offeror fully informed as to the details of any information requested of or provided by Duvernay and as to the details of all discussions or negotiations.

Duvernay has also agreed to notify the Offeror immediately if the Board of Directors determines that any *bona fide* written Acquisition Proposal constitutes a Superior Proposal. For a period of 72 hours from the time that the Offeror receives notice from Duvernay of the fact that the Board of Directors has determined a *bona fide* written Acquisition Proposal constitutes a Superior Proposal, the Board of Directors has agreed not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and not to release the Person making the Superior Proposal from any standstill provisions and not to withdraw, redefine, modify or change its recommendation in respect of the Offer. In addition, during such 72 hour period, Duvernay agreed that it will, and will cause its respective financial and legal

advisors to negotiate in good faith with the Offeror to make such adjustments in the terms and conditions of the Pre-Acquisition Agreement and the Offer as would enable the Offeror to proceed with the Offer as amended rather than the Superior Proposal. In the event the Offeror offers to amend the Pre-Acquisition Agreement and the Offer to provide that Shareholders shall receive a value per Share in cash equal to or having a value greater than the value per Share provided in the Superior Proposal and so advises the Board of Directors prior to the expiry of such 72 hour period, the Board of Directors has agreed not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and has further agreed not to release the party making the Superior Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Offer.

### ***Waiver of Conditions***

Subject to the terms of the Pre-Acquisition Agreement, the Offeror is permitted, in its sole discretion, at any time and from time to time during the Offer Period (or otherwise as permitted by applicable Law), to vary the terms and conditions of the Offer (which variation may include an extension of the Expiry Time), provided that the Offeror shall not without the prior written consent of Duvernay: (i) change the number of Shares for which the Offer is made; (ii) increase the Minimum Tender Condition or decrease the Minimum Tender Condition to less than 50% of the issued and outstanding Shares (on a fully-diluted basis); (iii) decrease the consideration per Share (other than a downward adjustment if the Board of Directors at any time after the date of the Pre-Acquisition Agreement divides, combines, reclassifies, consolidates, converts or otherwise changes any of the Shares or its capitalization; issues, grants or sells any Shares, Options, other securities, calls conversion privileges or rights of any kind to acquire any Shares or other securities (other than pursuant to the exercise of existing Options issued under the Duvernay Stock Option Plan) discloses that it has taken or intends to take any such action; or declares, makes or pays any distribution in respect of Shares that is payable or distributable to the Shareholders on a record date that is prior to the date of transfer of such Shares into the name of the Offeror or its nominees or transferees on the share register maintained by or on behalf of Duvernay; (iv) change the form of consideration payable under the Offer; (v) impose additional conditions to the Offer; or (vi) otherwise amend the Offer or any terms and conditions thereof in a manner adverse to Duvernay or the Shareholders.

### ***Non-Completion Fee***

Provided there is no material breach or non-performance by the Offeror of a material provision of the Pre-Acquisition Agreement, Duvernay has agreed to pay to the Offeror a non-completion fee of \$120 million (the “**Non-Completion Fee**”) forthwith and in any event within two Business Days after the first to occur of any of the following events:

- (a) the Board of Directors withdraws, modifies, qualifies or proposes publicly to withdraw, modify or qualify, any of its recommendations or determinations in any manner adverse to the Offeror or resolves to do so or recommends or approves or proposes publicly to recommend or approve an Acquisition Proposal or recommends that Shareholders accept or vote in favour of an Acquisition Proposal;
- (b) the Board of Directors shall have failed to reaffirm its recommendation of the Offer by press statement within seven days after the public announcement of any Acquisition Proposal (or, in the event that the Offer shall be scheduled to expire within such seven day period, prior to the scheduled expiry of the Offer);
- (c) Duvernay breaches in any material respect the provisions of the Pre-Acquisition Agreement described under “No Solicitation” or “Right to Match” above, or the Pre-Acquisition Agreement is terminated as a result of the Offeror failing to exercise its right to make an amended Offer as described under the “Right to Match” above;
- (d) another Acquisition Proposal has been publicly announced and not withdrawn prior to the Expiry Time, the Minimum Tender Condition has not been satisfied at the Expiry Time, and such Acquisition Proposal is subsequently completed within nine months of the Expiry Time;
- (e) Duvernay enters into any agreement with any Person with respect to an Acquisition Proposal prior to the Expiry Time, excluding any confidentiality agreement entered into in accordance with Section 8.2 of the Pre-Acquisition Agreement; or
- (f) the Pre-Acquisition Agreement is terminated by the Offeror pursuant to the Offeror’s right to terminate the Pre-Acquisition Agreement as described under paragraphs (b)(ii) and (b)(iii) under “Termination of the Pre-

Acquisition Agreement” below, or by Duvernay pursuant to Duvernay’s right to terminate the Pre-Acquisition Agreement as described under paragraph (j) under “Termination of the Pre-Acquisition Agreement” below.

The Offeror has agreed that the payment of the Non-Completion Fee is the sole remedy of the Offeror in respect of any breach of the Pre-Acquisition Agreement by Duvernay; provided, however, that any payment of the Non-Completion Fee will be without prejudice to the rights and remedies available to the Offeror in respect of any claim based on fraud or a breach that is wilful or intentional by Duvernay or any of its representatives of the warranties, covenants or agreements set forth in the Pre-Acquisition Agreement.

### ***Termination of the Pre-Acquisition Agreement***

The Pre-Acquisition Agreement may be terminated by notice in writing:

- (a) at any time prior to the Effective Time by mutual written consent of the Offeror and Duvernay;
- (b) by the Offeror at any time:
  - (i) after the Latest Mailing Date if any condition to making the Offer is not satisfied or waived by such date;
  - (ii) if Duvernay is in default of any covenant or obligation under the Pre-Acquisition Agreement that could have a Material Adverse Effect on the success of the Offer and such default is not curable or, if curable, is not cured by the earlier of the date which is five days from the date of written notice of such breach or default (which notice shall be provided by Duvernay as soon as practicable) and the Expiry Time; or
  - (iii) if any representation or warranty of Duvernay:
    - (A) that is qualified by a reference to a Material Adverse Effect shall be untrue or incorrect in any respect;
    - (B) that is not qualified by a reference to a Material Adverse Effect shall be untrue or incorrect in any respect unless the failure to be true or correct has not had or would not reasonably be expected to have, a Material Adverse Effect (and, for this purpose, any reference to “material” or other concepts of materiality in such representations and warranties shall be ignored); or
    - (C) as to Duvernay’s share capital on an undiluted and fully-diluted basis shall be untrue or incorrect (except for changes thereto resulting from the issuance of Shares under the terms of the Options), and such breach, default or inaccuracy is not curable or, if curable, is not cured by the earlier of the date which is five days from the date of written notice of such breach or default or inaccuracy (which notice shall be provided by Duvernay as soon as practicable) and the Expiry Time; or
- (c) by Duvernay at any time:
  - (i) if the Offeror is in default of any material covenant or obligation under the Pre-Acquisition Agreement to be performed by it; or
  - (ii) if any representation or warranty of the Offeror under the Pre-Acquisition Agreement is materially untrue or incorrect, and failure of such representation or warranty to be true and correct would prevent or materially delay consummation of the transactions contemplated by the Pre-Acquisition Agreement, and such breach, default or inaccuracy is not curable or, if curable, is not cured by the earlier of the date which is five days from the date of written notice of such breach, default or inaccuracy (which notice shall be provided by the Offeror as soon as practicable) and the Expiry Time;
- (d) by the Offeror or Duvernay if the Effective Time has not occurred within 120 days following the Initial Expiry Time unless the failure of the Offeror to take up and pay for the Shares arises as a result of the breach by Duvernay of any material covenant or obligation under the Pre-Acquisition Agreement or as a result of any representation or warranty of Duvernay in the Pre-Acquisition Agreement being materially untrue or incorrect provided, however, that if the Offeror’s take-up and payment for Shares deposited under the Offer is delayed by:
  - (i) an injunction or order made by a court of competent jurisdiction or a Governmental Authority; or

- (ii) the Offeror not having obtained any Regulatory Approval that is necessary to permit the Offeror to take up and pay for Shares deposited under the Offer or necessary for Duvernay to continue to carry on its business as currently conducted;

then, provided that such injunction or order is being contested or appealed or Regulatory Approval is being actively sought, as applicable, the Pre-Acquisition Agreement shall not be terminated by Duvernay under this paragraph (d) until the 180<sup>th</sup> day after the Initial Expiry Time;

- (e) by Duvernay if the Offeror refuses to make the Offer or does not mail the Offer by the Latest Mailing Date (other than as a result of any act of Duvernay or breach by Duvernay of any of its obligations under the Pre-Acquisition Agreement or because any of the conditions to the making of the Offer was not satisfied or waived);
- (f) by the Offeror if any condition of the Offer shall not be satisfied or waived at the Expiry Time of the Offer and the Offeror shall not elect to waive such condition, unless the failure of such condition shall be due to the failure of the Offeror to perform the obligations required to be performed by it thereunder;
- (g) by either the Offeror or Duvernay if the Non-Completion Fee becomes payable (provided that for the purposes of a termination by Duvernay, Duvernay must have first paid the Non-Completion Fee);
- (h) by the Offeror if there shall have occurred any Material Adverse Effect;
- (i) by either the Offeror or Duvernay if a Governmental Authority shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting any of the transactions contemplated by the Pre-Acquisition Agreement and such order, decree, ruling or other action shall have become final and non-appealable, provided that the party seeking to terminate the Pre-Acquisition Agreement shall have used all commercially reasonable efforts to remove such order, decree, ruling or injunction; or
- (j) by Duvernay if:
  - (i) the Board of Directors has received a Superior Proposal;
  - (ii) Duvernay has notified the Offeror in writing of the existence of a Superior Proposal in accordance with the Pre-Acquisition Agreement;
  - (iii) following receipt by the Offeror of the notice of an Acquisition Proposal and a copy of the Superior Proposal, a period of at least 72 hours has elapsed;
  - (iv) taking into account any revised proposal made by the Offeror, such Superior Proposal remains a Superior Proposal; and
  - (v) Duvernay has tendered payment of the Non-Completion Fee payable to the Offeror or its designee.

### ***Conduct of Business by Duvernay***

Duvernay has agreed that, during the period commencing on the date of the Pre-Acquisition Agreement and ending on the earlier of the date on which the Offeror takes up and pays for the Shares under the Offer or the date the Pre-Acquisition Agreement is terminated, the business of Duvernay will be conducted only in the usual, ordinary and regular course of business, consistent with past practice (for greater certainty, where it is an operator of any property, it shall operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operations of such property) and in compliance with applicable Laws. Duvernay also agreed during such period not to take certain corporate actions and not to undertake certain measures related to the operations of Duvernay without the prior consent of the Offeror.

### ***Reconstitution of the Board of Directors***

Pursuant to the Pre-Acquisition Agreement, Duvernay has agreed that, promptly upon the take up and payment by the Offeror pursuant to the Offer of such number of Shares that, when taken together with Shares beneficially owned by the Offeror, represents in excess of 50% of the outstanding Shares on a fully-diluted basis and from time to time thereafter, the Board of Directors will be reconstituted and the Offeror will be entitled to designate such number of directors of the Board of Directors, and any committees thereof, that would constitute a number equal to the Offeror's proportionate

equity interest in Duvernay, and Duvernay has agreed not to frustrate the Offeror's attempts to do so and to co-operate with the Offeror, subject to applicable Law, to enable the Offeror's designees to be elected or appointed to the Board of Directors and to constitute a majority of the Board of Directors without the necessity of calling a shareholder meeting.

### ***Directors' and Officers' Insurance***

Pursuant to the Pre-Acquisition Agreement, the Offeror has agreed that, for a period of six years after the Effective Time, the Offeror will cause or permit Duvernay or any successor to Duvernay (including any successor resulting from the winding up or liquidation or dissolution of Duvernay) to maintain Duvernay's current directors' and officers' insurance policy or an equivalent policy on a six year "trailing" or "run-off" basis subject in either case to terms and conditions no less advantageous to the directors and officers of Duvernay than those contained in the policy in effect on the date of the Pre-Acquisition Agreement, for all present and former directors and officers of Duvernay, covering claims made prior to or within six years after the Effective Time.

### ***Indemnities***

The Offeror has agreed to cause or permit Duvernay or any successor to Duvernay to indemnify the directors and officers of Duvernay to the fullest extent to which the Offeror and Duvernay, as the case may be, are permitted to indemnify such officers and directors under their respective charter, by-laws, Laws and contracts of indemnity.

### ***Other Terms***

The Offeror has agreed, to and after the Effective Time, to cause Duvernay and any successor to Duvernay, to honour and comply with the terms of all existing employment agreements, termination, severance and retention plans or policies of Duvernay.

### ***Lock-up Agreements***

In connection with the Offer, all of the directors and officers of Duvernay have entered into the Lock-Up Agreements with Shell Canada pursuant to which they have agreed to tender and not withdraw, except in certain circumstances, the Shares beneficially owned by such Shareholders and any Shares they shall acquire pursuant to the exercise of Options. The Shares currently held by the Supporting Shareholders represent 10,825,057 Shares and 1,355,000 Options or approximately 18.1% of the issued and outstanding Shares of Duvernay calculated on a fully-diluted basis. The forms of Lock-Up Agreements signed by the Supporting Shareholders have been filed by the Offeror with the Canadian Securities Regulatory Authorities and are available on Duvernay's profile on SEDAR at [www.SEDAR.com](http://www.SEDAR.com).

The following is a summary of the principal terms of the Lock-Up Agreement.

#### ***Agreement to Make the Offer***

The Offeror agreed to make the Offer within the time period and upon and subject to the terms and conditions set out in the Pre-Acquisition Agreement and to use commercially reasonable efforts to complete the Offer.

#### ***Agreement to Tender***

The Supporting Shareholders agreed to (i) irrevocably accept the Offer and to deposit or cause to be deposited under the Offer all Shares which they own or over which they exercise direction or control, including Shares issuable upon the exercise of Options held by them, and (ii) exercise or surrender his, her or its Options in accordance with Section 2.3(b) of the Pre-Acquisition Agreement prior to the Initial Expiry Time.

#### ***Competing Offer***

The Supporting Shareholders are not permitted under the terms of the Lock-Up Agreement to deposit the Subject Shares to a competing offer unless the Non-Completion Fee has been paid by Duvernay in accordance with the terms of the Pre-Acquisition Agreement, and in other limited circumstances.

### ***Covenants of the Supporting Shareholders***

Each Supporting Shareholder agreed, among other things, that: (a) it will immediately cease and cause to be terminated existing discussions, if any, with parties (other than the Offeror) with respect to any Acquisition Proposal and it will not, directly or indirectly, make, solicit, initiate, promote or encourage inquiries from or submission of proposals or offers from any other Person whatsoever other than the Offeror or its affiliates, relating to any Acquisition Proposal, enter into any agreement related to any Acquisition Proposal, furnish to any Person any information with respect to Duvernay, or otherwise cooperate in any way with, or otherwise assist or participate in, facilitate or encourage, any effort or attempt by any Person other than the Offeror or its affiliates to do or seek to do any of the foregoing; (b) it will not, directly or indirectly, take any action of any kind which would cause any of its representations or warranties in the Lock-Up Agreement to become untrue or which may in any way adversely affect the success of the Offer or the purchase of any Shares under the Offer or the completion of the Offer or the completion of any Compulsory Acquisition or Subsequent Acquisition Transaction; (c) it will exercise or cause to be exercised the voting rights attached to its Shares and otherwise use its reasonable efforts in its capacity as a security holder to oppose any proposed action by Duvernay, its Shareholders or any other Person in respect of any Acquisition Proposal and it will not vote or cause to be voted any of its Shares in respect of any proposed action by Duvernay or its Shareholders or affiliates or any other Person in a manner which might reasonably be regarded as likely to prevent or materially delay the successful completion of the Offer; (d) it will not sell, transfer, pledge, encumber, hypothecate, grant a security interest in or otherwise convey or grant an option in any way over its Shares (or enter into any agreement or commitment to do any of the foregoing) or relinquish, modify or restrict its right to vote or cause to be voted any of its Shares, other than pursuant to the Offer; (e) it will take all such steps as are required to ensure that at the time at which it tenders its Shares to the Offer, and at the time the Offeror becomes entitled to take up and pay for such Shares, such Shares will be owned beneficially by such Supporting Shareholder, with a good and marketable title thereto, free and clear of any and all mortgages, hypothecs, liens, charges, restrictions, security interests, adverse claims, pledges, encumbrances and demands of any nature or kind whatsoever, and will not be subject to any shareholders' agreements, voting trust or other similar agreements or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming a shareholders' agreement, voting trust or other agreement affecting such Shares or the ability of the Supporting Shareholder to exercise all ownership rights thereto; (f) it will not grant or agree to grant any proxy or other right to its Shares, or enter into any voting trust, vote pooling or other agreement with respect to the right to vote, call meetings of Shareholders or give consents or approvals of any kind with respect to its Shares, other than pursuant to the Offer; (g) it will not do indirectly that which it may not do directly in respect of the restrictions on its rights with respect to its Shares pursuant to the Lock-up Agreement by the sale of any Shares in any direct or indirect holding company or interest in a partnership or the granting of a proxy on the Shares of any direct or indirect holding company and which would have, indirectly, any effect prohibited by the Lock-up Agreement; (h) it will immediately notify the Offeror orally (and then in writing within 24 hours) after it has received any proposal, inquiry, offer or request relating to or constituting an Acquisition Proposal, any request for discussions or negotiations, or any request for information relating to Duvernay in connection with an Acquisition Proposal or a potential Acquisition Proposal or for access to the properties or books and records thereof of which it is or became aware. Such notice shall include a description of the terms and conditions of, the identity of the Person making, and a copy of any Acquisition Proposal, inquiry, offer or request; and (i) in the event that the Offeror concludes that it is reasonably necessary to proceed with another form of transaction (such as a plan of arrangement or amalgamation) in accordance with the Pre-Acquisition Agreement, as the same may be amended from time to time as permitted thereby, the Supporting Shareholder agrees to support the completion of such alternative transaction by tendering its Shares, voting its Shares in favour of such transaction or otherwise as the case may be and shall otherwise fulfill its covenants contained in the Lock-Up Agreement in respect of such alternative transaction provided that the terms of such transaction are not materially adverse to the Supporting Shareholder and have been agreed to by Duvernay.

### ***Termination of the Lock-Up Agreement***

The Lock-Up Agreement may be terminated by notice in writing: (a) at any time prior to the Effective Time by mutual written consent of the parties; (b) by the Offeror if the Pre-Acquisition Agreement is terminated by the Offeror in accordance with Article 11 thereof; (c) by the Offeror if the Supporting Shareholder is in default of any covenant or obligation under the Lock-Up Agreement or if any representation or warranty of the Supporting Shareholder under the Lock-Up Agreement shall have been as at the date of the Lock-Up Agreement, or subsequently becomes, untrue or incorrect in any material respect; (d) by either party upon termination of the Pre-Acquisition Agreement by Duvernay in the event a Non-Completion Fee has been paid to the Offeror; (e) or by the Supporting Shareholder if a material

amendment to the Pre-Acquisition Agreement is made without the prior written consent of the Supporting Shareholder and such amendment would be prejudicial to the Supporting Shareholder; or (f) by either party if the Supporting Shareholder's Shares have not been taken up and paid for by the Offeror within the time periods contemplated in the Pre-Acquisition Agreement.

Any termination of the Lock-Up Agreement in accordance with the termination provisions of the Lock-Up Agreement shall render the provisions of the Lock-Up Agreement of no further force and effect, provided, however, that such termination shall not prejudice the rights of a party as a result of a breach by any other party of its obligations under the Lock-up Agreements occurring prior to such termination. Upon termination of a Lock-up Agreement, the Offeror would no longer be required to make or pursue the Offer and, if the Offer has been made, the Supporting Shareholder would be entitled to withdraw the Subject Shares deposited under the Offer.

#### **Arrangements with Directors, Officers, Employees and Contractors**

The Offeror intends to retain as many Duvernay employees and contractors as possible.

### **5. PURPOSE OF THE OFFER AND PLANS FOR DUVERNAY**

#### **Purpose of the Offer**

The purpose of the Offer is to enable the Offeror to acquire all of the Shares, including Shares issuable upon the exercise of Options. If at least 90% of the outstanding Shares, on a fully diluted basis, are validly tendered pursuant to the Offer, the Offeror may elect to invoke its statutory right of Compulsory Acquisition in accordance with the provisions of Part 16 of the ABCA. If the Offer is successful but the Offeror acquires less than 90% of the outstanding Shares, the Offeror currently intends to pursue a Subsequent Acquisition Transaction to acquire the Shares not tendered to the Offer on such terms and conditions as the Offeror, at the time, believes to be fair to Duvernay and the Shareholders. The timing and details of any such transaction will necessarily depend upon a variety of factors, including the number of Shares acquired pursuant to the Offer. Notwithstanding the fact the compulsory acquisition procedures of the ABCA may be available, the Offeror may nonetheless elect to pursue a Subsequent Acquisition Transaction. See Section 12 of the Offer, "Acquisition of Shares Not Deposited".

#### **Plans for Duvernay**

In order to provide for a timely and efficient transition, Shell Canada's management will assume ultimate responsibility for the day-to-day operations of Duvernay immediately upon obtaining the Minimum Required Shares pursuant to the Offer. Duvernay will be managed as a separate entity until such time that it can be amalgamated or wound-up into the Offeror or one or more of its affiliates.

If permitted by applicable Law, subsequent to the completion of the Offer or the Subsequent Acquisition Transaction (if necessary) the Offeror intends to delist the Shares from the TSX and cause Duvernay to cease to be a reporting issuer under the Securities Laws of each province in Canada in which it has such status.

### **6. ARRANGEMENTS WITH THE SUPPORTING SHAREHOLDERS**

Except as described in Section 4 of the Circular, "Agreements Related to the Offer", there are no agreements, commitments or understandings made or proposed to be made between the Offeror and any of the directors or senior officers of Duvernay and no payments or other benefits are proposed to be made or given by way of compensation for loss of office or to such directors or senior officers remaining in or retiring from office if the Offer is successful. Except as described in Section 4 of the Circular, "Agreements Related to the Offer", there are no agreements, commitments or understandings between the Offeror and any holder of securities of Duvernay with respect to the Offer or between the Offeror and any Person or company with respect to any securities of Duvernay in relation to the Offer. There are no business relationships between the Offeror, its associates or affiliates and Duvernay that are material to any of them with the exception of the Pre-Acquisition Agreement.

### **7. OWNERSHIP OF SECURITIES OF DUVERNAY**

Neither the Offeror nor Shell Canada, nor any director or officer of the Offeror or Shell Canada, nor, to the knowledge of the Offeror or Shell Canada after reasonable enquiry, any associate or affiliate of any insider of the Offeror or Shell

Canada, any insider of the Offeror or Shell Canada other than a director or officer of the Offeror or Shell Canada, or any person acting jointly or in concert with the Offeror or Shell Canada, beneficially owns or exercises control or direction over, any securities of Duvernay, except in respect of the Pre-Acquisition Agreement and the Lock-up Agreements.

## **8. TRADING IN SECURITIES OF DUVERNAY**

To the knowledge of the Offeror or Shell Canada, after reasonable enquiry, during the six month period preceding the date of the Offer, no securities of Duvernay have been purchased or sold by the Offeror or Shell Canada, any director or officer of the Offeror or Shell Canada, any associate or affiliate of an insider of the Offeror or Shell Canada, any insider of the Offeror or Shell Canada other than a director or officer of the Offeror or Shell Canada, or any person acting jointly or in concert with the Offeror or Shell Canada, except in respect of the Pre-Acquisition Agreement and the Lock-up Agreements.

## **9. COMMITMENTS TO ACQUIRE SECURITIES OF DUVERNAY**

Except in respect of the Offer, the Pre-Acquisition Agreement and the Lock-up Agreements, neither the Offeror nor Shell Canada, nor any director or officer of the Offeror or Shell Canada, nor, to the knowledge of the Offeror or Shell Canada after reasonable enquiry, any associate or affiliate of an insider of the Offeror or Shell Canada, any insider of the Offeror or Shell Canada other than a director or officer of the Offeror or Shell Canada, or any person acting jointly or in concert with the Offeror or Shell Canada, has any agreement, commitment or understanding to acquire securities of Duvernay.

## **10. SOURCE OF FUNDS**

The Offeror estimates that if it acquires all of the Shares (calculated on a fully-diluted basis), the total amount of cash required for the purchase of the Shares and to pay related fees and expenses (including depositary, solicitation, printing, financial and legal expenses) and to repay Duvernay's outstanding credit facilities will be approximately \$5.9 billion. The Offeror will satisfy or arrange for the satisfaction of such funding requirements from Shell Canada or RDS. RDS has existing cash reserves in excess of the total amount of cash required for the purchase of the Shares and to pay all related fees and expenses and the credit facilities.

## **11. EFFECT OF THE OFFER ON MARKETS FOR THE SHARES AND STOCK EXCHANGE LISTING**

The purchase of Shares by the Offeror pursuant to the Offer will reduce the number of Shares that might otherwise trade publicly, as well as the number of holders of Shares, and, depending on the number of Shares deposited and purchased under the Offer, could adversely affect the liquidity and market value of the remaining Shares held by the public.

The rules and regulations of the TSX establish certain criteria which, if not met, could lead to the cessation of trading and delisting of the Shares on such exchange. Among such criteria are the minimum number of holders of Shares, the minimum number of Shares publicly held and the aggregate market value of the Shares publicly held. Depending upon the number of Shares purchased pursuant to the Offer, it is possible that the Shares would fail to meet the criteria for continued listing on the TSX. If this were to happen, the Shares could be delisted and this could, in turn, adversely affect the market or result in a lack of an established market for such Shares. It is the intention of the Offeror to cause Duvernay to apply to delist the Shares from the TSX as soon as practicable after completion of the Offer, any Compulsory Acquisition or any Subsequent Acquisition Transaction. Moreover, in the event the Shares are delisted, such shares would constitute "taxable Canadian property" to non-resident holders of Shares. As a result, subject to relief under an applicable tax treaty, a non-resident holder of Shares would be subject to Canadian taxation in respect of any disposition or deemed disposition of such shares. Any such disposition or deemed disposition of Shares by a non-resident at a time when the Shares are not listed on a prescribed stock exchange (including the TSX) would trigger certain tax reporting requirements, including tax filings which are required to be made contemporaneously with any such disposition, and purchasers would generally be required to withhold a portion of the purchase price on any such disposition and remit same to the Canadian tax authorities. Non-resident holders of Shares should consult their own tax advisors in the event the Shares are delisted.

After the purchase of Shares under the Offer and subject to applicable Laws, the Offeror intends to cause Duvernay to take steps toward the elimination of its public reporting requirements under applicable securities legislation.

## **12. MATERIAL CHANGES IN THE AFFAIRS OF DUVERNAY AND OTHER INFORMATION**

The Offeror is not aware of any information that has not been generally disclosed that indicates that any material change has occurred in the affairs of Duvernay since the date of the last published financial statements of Duvernay, being the interim financial statements for the period ended March 31, 2008.

The Offeror is not aware of any material facts concerning the Shares or other material facts not disclosed in the Offer that have not previously been generally disclosed that would reasonably be expected to affect the decision of the Shareholders to accept or reject the Offer.

## **13. ACCEPTANCE OF THE OFFER**

With the exception of those Supporting Shareholders who have entered into the Lock-up Agreements, the Offeror has no knowledge of whether any Shareholders will accept the Offer. See Section 6 of the Circular, "Arrangements with the Supporting Shareholders".

## **14. REGULATORY MATTERS**

### **Competition Act**

Under the Competition Act, the acquisition of voting shares of a corporation that carries on an operating business in Canada may require pre-merger notification if certain size of parties and size of transaction thresholds are exceeded. Where a transaction constitutes a Notifiable Transaction, certain information must be provided to the Commissioner and the transaction may not be completed until the expiry, waiver or termination of a statutory waiting period. Notification may be made either on the basis of a short-form filing (in respect of which there is a 14-day statutory waiting period) or a long-form filing (in respect of which there is a 42-day statutory waiting period). If a short-form filing is made, the Commissioner may, within the 14-day waiting period, require that the parties make a long-form filing, thereby extending the waiting period for a further 42 days following receipt of the long-form filing.

Where a transaction does not raise substantive issues under the Competition Act, the Commissioner may issue an ARC in respect of the transaction. Where an ARC is issued, the parties to the transaction are not required to file a pre-merger notification. In addition, if the transaction to which the ARC relates is substantially completed within one year after the ARC is issued, the Commissioner cannot seek an order of the Competition Tribunal under the merger provisions of the Competition Act in respect of the transaction solely on the basis of information that is the same or substantially the same as the information on the basis of which the ARC was issued.

The Commissioner's review of a transaction may take longer than the statutory waiting period, depending upon whether the transaction is classified by the Commissioner as non-complex, complex or very complex. Under the Competition Act, the Commissioner may decide to challenge the transaction or prevent its closing if he or she is of the view that the transaction is likely to prevent or lessen competition substantially.

The transaction contemplated by the Offer is a Notifiable Transaction under the Competition Act, and as such, the parties must file a pre-merger notification or the Offeror will request the issuance of an ARC and a waiver of the obligation to submit a pre-merger notification. The obligation of the Offeror to complete the Offer is, among other things, subject to the condition that the Commissioner shall have (a) issued an ARC under Section 102 of the Competition Act in respect of the purchase of the Shares by the Offeror, or (b) advised the parties in writing that the Commissioner has determined not to file an application for an order under Part VIII of the Competition Act and any terms and conditions attached to such advice shall be acceptable to the parties. See Section 4 of the Offer, "Conditions of the Offer".

Based on information available to it, the Offeror is of the view that the Offer can be effected in compliance with Canadian competition laws. However, there can be no assurance that a challenge to the completion of the Offer on competition law grounds will not be made or that, if such a challenge were made, the Offeror would prevail or would not be required to accept certain adverse conditions in order to complete the Offer.

In the event that any appropriate Regulatory Approval is not obtained prior to the Initial Expiry Time, unless such approval has been denied, the Offeror has agreed to extend the Offer twice if necessary, each time for a period of time not less than 10 days beyond the Initial Expiry Time and the Expiry Time, as the case may be.

## Investment Canada Act

Under the Investment Canada Act, certain transactions involving the acquisition of control of a Canadian business by a non-Canadian are subject to review and cannot be implemented unless the ICA Minister is satisfied that the transaction is likely to be of net benefit to Canada. If a transaction is a Reviewable Transaction, an application for review must be filed with the Investment Review Division of Industry Canada and the approval of the ICA Minister obtained prior to the implementation of the Reviewable Transaction. The ICA Minister is required to determine whether the Reviewable Transaction is likely to be of net benefit to Canada taking into account, among other things, certain factors specified in the Investment Canada Act and any written undertakings that may have been given by the applicant. The Investment Canada Act contemplates an initial review period of up to 45 days after filing; however, if the ICA Minister has not completed the review by that date, the ICA Minister may unilaterally extend the review period by up to 30 days (or such longer period as may be agreed to by the applicant) to permit completion of the review.

The prescribed factors of assessment to be considered by the ICA Minister include, among other things, the effect of the investment on the level and nature of economic activity in Canada (including the effect on employment, resource processing and exports), the degree and significance of participation by Canadians in the acquired business, the effect of the investment on productivity, industrial efficiency, technological development, product innovation and product variety in Canada, the effect of the investment on competition within an industry in Canada, the compatibility of the investment with national industrial, economic and cultural policies (taking into consideration corresponding provincial policies), and the contribution of the investment to Canada's ability to compete in world markets. If the ICA Minister determines that he or she is not satisfied that a Reviewable Transaction is likely to be of net benefit to Canada, the Reviewable Transaction may not be implemented.

The acquisition of the Shares by the Offeror is a Reviewable Transaction under the Investment Canada Act, and as such, the Offeror will file an application for review with the Investment Review Division of Industry Canada. The Offer is conditional upon receiving approval under the Investment Canada Act. See Section 4 of the Offer, "Conditions of the Offer".

In the event that any appropriate Regulatory Approval is not obtained prior to the Initial Expiry Time, unless such approval has been denied, the Offeror has agreed to extend the Offer twice if necessary, each time for a period of time not less than 10 days beyond the Initial Expiry Time and the Expiry Time, as the case may be.

## 15. CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Offeror, the following summary describes the principal Canadian federal income tax considerations generally applicable to a beneficial owner of Shares who sells Shares pursuant to this Offer or otherwise disposes of Shares pursuant to certain transactions described under the heading "Acquisition of Shares Not Deposited" and who, at all relevant times, for purposes of the application of the Tax Act, (1) deals at arm's length with Duvernay and the Offeror; (2) is not affiliated with Duvernay or the Offeror; and (3) holds the Shares as capital property (a "**Holder**"). Generally, the Shares will be capital property to a Holder provided the Holder does not hold those Shares in the course of carrying on a business or as part of an adventure or concern in the nature of trade. **This summary does not address all issues relevant to Shareholders who acquired their Shares on the exercise of an employee stock option. Such Shareholders should consult their own tax advisors.**

This summary is based on the current provisions of the Tax Act, and on counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**") published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, regulatory, administrative or judicial action nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

**This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular Shareholder. This summary is not exhaustive of all Canadian federal income tax considerations.**

**Accordingly, Shareholders should consult their own tax advisors having regard to their own particular circumstances.**

### **Holders Resident in Canada**

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the application of the Tax Act, is, or is deemed to be, resident in Canada (a **“Resident Holder”**). Certain Resident Holders may be entitled to make or may have already made the irrevocable election permitted by subsection 39(4) of the Tax Act, the effect of which may be to deem to be capital property any Shares (and all other “Canadian securities”, as defined in the Tax Act ) owned by such Resident Holder in the taxation year in which the election is made and in all subsequent years. Resident Holders whose Shares might not otherwise be considered to be capital property should consult their own tax advisors concerning the election. This portion of the summary is not applicable to (i) a Shareholder that is a “specified financial institution”, (ii) a Shareholder an interest in which is a “tax shelter investment”, as defined in the Tax Act, (iii) a Shareholder that is, for purposes of certain rules applicable to securities held by financial institutions (referred to as the “mark-to-market” rules), a “financial institution”, or (iv) a Shareholder to whom the “functional currency” reporting rules apply, each as defined in the Tax Act. Such Shareholders should consult their own tax advisors.

### *Sale Pursuant to the Offer*

Generally, a Resident Holder who disposes of Shares pursuant to the Offer will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Holder of the Shares immediately before the disposition.

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a **“taxable capital gain”**) realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an **“allowable capital loss”**) realized in a taxation year from taxable capital gains realized by the Resident Holder in the year, and allowable capital losses in excess of taxable capital gains for the year 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.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Share may be reduced by the amount of any dividends received (or deemed to be received) by the Resident Holder on such Share to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where a Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Such Resident Holders should consult their own advisors.

### *Compulsory Acquisition of Shares*

As described under “Acquisition of Shares Not Deposited — Compulsory Acquisition”, the Offeror may, in certain circumstances, acquire Shares not deposited under the Offer pursuant to statutory rights of purchase under the ABCA. The tax consequences to a Resident Holder of a disposition of Shares in such circumstances will generally be as described above under “Sale Pursuant to the Offer”. Resident Holders whose Shares may be so acquired should consult their own tax advisors.

### *Subsequent Acquisition Transaction*

As described under “Acquisition of Shares Not Deposited — Subsequent Acquisition Transaction”, if the Offeror does not acquire all of the Shares pursuant to the Offer or by means of a Compulsory Acquisition, the Offeror may propose other means of acquiring the remaining issued and outstanding Shares. The tax treatment of a Subsequent Acquisition Transaction to a Resident Holder will depend upon the exact manner in which the Subsequent Acquisition Transaction is carried out. Resident Holders should consult their own tax advisors for advice with respect to the income tax consequences to them of having their Shares acquired pursuant to a Subsequent Acquisition Transaction.

A Subsequent Acquisition Transaction could be implemented by means of an amalgamation of Duvernay with the Offeror and/or one or more of its affiliates pursuant to which Resident Holders who have not tendered their Shares under the Offer would have their Shares converted on the amalgamation for redeemable preference shares of the amalgamated

corporation (“**Redeemable Shares**”), which would then be immediately redeemed for cash. Such a holder would not realize a capital gain or capital loss as a result of the conversion of Shares and the adjusted cost base to the Resident Holder of the Redeemable Shares received would be equal to the adjusted cost base to the Resident Holder of the Shares immediately before the amalgamation.

However, on the redemption of the Redeemable Shares, such Resident Holder will generally,

- (a) be deemed to receive a dividend (subject to the application of subsection 55(2) of the Tax Act to a holder of Redeemable Shares that is a corporation, as discussed below) equal to the amount, if any, by which the redemption price of the Resident Holder’s Redeemable Shares exceeds the paid-up capital of such holder’s Redeemable Shares for purposes of the Tax Act; and
- (b) be considered to have disposed of such holder’s Redeemable Shares for proceeds of disposition equal to the redemption price less the amount of the deemed dividend, if any, computed in (a). As a result, such Resident Holder will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Redeemable Shares immediately before the disposition and any reasonable costs of disposition. The computation and tax consequences of any such capital gain or capital loss would be generally as described under “Sale Pursuant to the Offer”.

A Resident Holder will be required to include in computing its income for a taxation year any dividends deemed to be received on the Redeemable Shares. In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit applicable to any dividends designated as “eligible dividends” in accordance with the Tax Act. Any such dividends deemed to be received by a Resident Holder that is a corporation will generally be deductible in computing the corporation’s taxable income.

Subsection 55(2) of the Tax Act provides that where a Resident Holder that is a corporation would otherwise be deemed to receive a dividend, in certain circumstances the deemed dividend may be deemed not to be received as a dividend and instead may be treated as proceeds of disposition of the Redeemable Shares for purposes of computing the Resident Holder’s capital gain or capital loss. Resident Holders that are corporations should consult their own tax advisors in this regard.

A Resident Holder that is a “private corporation”, as defined in the Tax Act, or any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a refundable tax of 33 $\frac{1}{3}$ % under Part IV of the Tax Act on dividends received (or deemed to be received) on the Shares to the extent such dividends are deductible in computing the Resident Holder’s taxable income for the year.

Under the current administrative practice of the CRA, a Resident Holder who exercises the right of dissent in respect of an amalgamation will be considered to have disposed of such holder’s Shares for proceeds of disposition equal to the amount paid by the amalgamated corporation to the dissenting Resident Holder (excluding any interest awarded by the court). Because of uncertainties under the relevant legislation as to whether such amounts paid to a dissenting Resident Holder would be treated entirely as proceeds of disposition or in part as the payment of a deemed dividend, dissenting Resident Holders should consult with their own tax advisors. Any interest awarded to the Resident Holder by the court in connection with an amalgamation will be required to be included in the Resident Holder’s income for purposes of the Tax Act.

As an alternative to the amalgamation discussed herein, Duvernay may propose an arrangement, consolidation, capital reorganization, reclassification, continuance or other transaction, the tax consequences of which may materially differ from those arising on the sale of Shares under an Offer or an amalgamation involving Duvernay and will depend on the particular form and circumstances of such alternative transaction. No opinion is expressed herein as to the tax consequences of any such alternative transaction to a Resident Holder.

### **Holders Not Resident in Canada**

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the application of the Tax Act, is not, and is not deemed to be, resident in Canada and does not use or hold the Shares in a

business carried on in Canada (a “**Non-Resident Holder**”). Special rules, which are not discussed in this summary, may apply to certain holders that are insurers carrying on an insurance business in Canada and elsewhere.

### ***Sale Pursuant to the Offer***

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on a disposition of Shares, unless the Shares are “taxable Canadian property” to the Non-Resident Holder for purposes of the Tax Act and the Non-Resident Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

Generally, the Shares will not constitute taxable Canadian property to a Non-Resident Holder at a particular time provided that (1) the Shares are listed at that time on a designated stock exchange (which includes the TSX) at that time, and (2) the Non-Resident Holder, Persons with whom the Non-Resident Holder does not deal at arm’s length, or the Non-Resident Holder together with all such Persons, have not owned 25% or more of the issued shares of any class or series of the capital stock of Duvernay at any time during the 60-month period that ends at that time. Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, Shares could be deemed to be taxable Canadian property.

**Non-Resident Holders whose Shares are taxable Canadian property should consult their own tax advisors for advice having regard to their particular circumstances.**

### ***Compulsory Acquisition***

Subject to the discussion below under “Delisting of Shares”, a Non-Resident Holder will not be subject to income tax under the Tax Act on a disposition of Shares pursuant to the Offeror’s statutory rights of purchase described under “Acquisition of Shares Not Deposited — Compulsory Acquisition” unless the Shares are “taxable Canadian property” to the Non-Resident Holder for purposes of the Tax Act and the Non-Resident Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

**Non-Resident Holders whose Shares are taxable Canadian property should consult their own tax advisors for advice having regard to their particular circumstances.**

### ***Subsequent Acquisition Transaction***

As described under “Acquisition of Shares Not Deposited — Subsequent Acquisition Transaction”, if the Offeror does not acquire all of the Shares pursuant to the Offer or by means of a Compulsory Acquisition, the Offeror may propose other means of acquiring the remaining issued and outstanding Shares.

The tax treatment of a Subsequent Acquisition Transaction to a Non-Resident Holder will depend upon the exact manner in which the Subsequent Acquisition Transaction is carried out. Non-Resident Holders should consult their own tax advisors for advice with respect to the income tax consequences to them of having their Shares acquired pursuant to a Subsequent Acquisition Transaction.

A Subsequent Acquisition Transaction could be implemented by means of an amalgamation of Duvernay with the Offeror and/or one or more of its affiliates, pursuant to which Non-Resident Holders who have not tendered their Shares under the Offer would have their Shares converted on the amalgamation into redeemable preference shares of the amalgamated corporation (“**Redeemable Shares**”), which would then be immediately redeemed for cash.

A Non-Resident Holder may realize a capital gain or a capital loss and/or be deemed to receive a dividend, as discussed above under the heading “Holders Resident in Canada — Subsequent Acquisition Transaction”. Whether or not a Non-Resident Holder would be subject to income tax under the Tax Act on any such capital gain would depend on whether the Shares or Redeemable Shares are “taxable Canadian property” to the Non-Resident Holder for purposes of the Tax Act (see, in particular, the discussion below under “Delisting of Shares”) or whether the Non-Resident Holder is entitled to relief under an applicable income tax convention. Dividends paid or deemed to be paid or credited to a Non-Resident Holder will be subject to Canadian withholding tax at a rate of 25%, subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident. For example, where the Non-Resident Holder is a U.S. resident entitled to benefits under the *Canada-U.S. Income Tax Convention* (1980) and is the beneficial owner of the dividends, the applicable rate of Canadian withholding tax is generally reduced to 15%.

Due to uncertainties under relevant corporate legislation as to whether amounts paid to a Non-Resident Holder who exercises the right to dissent in respect of an amalgamation would be treated entirely as proceeds of disposition or in part as the payment of a deemed dividend as discussed above under the heading “Holders Resident in Canada — Subsequent Acquisition Transaction”, dissenting Non-Resident Holders should consult with their own tax advisors.

**Non-Resident Holders should consult their own tax advisors with respect to the potential income tax consequences to them of not disposing of their Shares pursuant to the Offer.**

### *Delisting of Shares*

As noted above under Section 5 of the Circular, “Purpose of the Offer and Plans for Duvernay”, Shares may cease to be listed on the TSX following the completion of the Offer and may not be listed on the TSX at the time of their disposition pursuant to a Compulsory Acquisition or a Subsequent Acquisition Transaction. Non-Resident Holders are cautioned that if the Shares are not listed on a prescribed stock exchange at the time they are disposed of: (1) the Shares will be taxable Canadian property to the Non-Resident Holder; (2) the Non-Resident Holder may be subject to income tax under the Tax Act in respect of any capital gain realized on such disposition, subject to any relief under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident; and (3) the notification and withholding provisions of section 116 of the Tax Act will apply to the Non-Resident Holder, in which case the Offeror will be entitled, pursuant to the Tax Act, to deduct or withhold an amount from any payment made to the Non-Resident Holder and to remit such amount to the Receiver General on behalf of the Non-Resident Holder.

**Non-Resident Holders should consult their own tax advisors with respect to the potential income tax consequences to them of not disposing of their Shares pursuant to the Offer.**

## **16. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

**United States Internal Revenue Service Circular 230 Notice: To ensure compliance with Internal Revenue Service Circular 230, Shareholders are hereby notified that: (i) any discussion of United States federal tax issues contained or referred to in this Circular or in any document referred to herein is not intended or written to be used, and cannot be used by Shareholders, for the purpose of avoiding penalties that may be imposed on them under the United States Internal Revenue Code; (ii) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (iii) Shareholders should seek advice based on their particular circumstances from an independent tax advisor.**

In the opinion of Osler, Hoskin & Harcourt LLP, United States counsel to the Offeror, the following is a general discussion of certain material United States federal income tax consequences to a United States Shareholder (as defined herein) who disposes of Shares solely pursuant to the Offer (or pursuant to a Compulsory Acquisition or Subsequent Acquisition Transaction). This summary is based upon the provisions of the United States Internal Revenue Code of 1986, as amended (the “Code”), existing, proposed and temporary Treasury Regulations, judicial authority, and administrative rulings and practice, all of which are subject to change or changes in interpretation, possibly on a retroactive basis. Any such change could affect the accuracy of this discussion. This discussion assumes that the Shares are held as capital assets by United States Shareholders, and that Shares disposed of pursuant to the Offer (or pursuant to a Compulsory Acquisition or Subsequent Acquisition Transaction) do not constitute interests in a “passive foreign investment company” (a “PFIC”) for United States federal income tax purposes.

No ruling from the Internal Revenue Service (the “IRS”) has been requested, or will be obtained, regarding the United States federal income tax consequences applicable to United States Shareholders with respect to the Offer, Compulsory Acquisition or Subsequent Acquisition Transaction. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary.

A United States Shareholder is a beneficial owner of Shares who is, for United States federal income tax purposes, a citizen or resident of the United States, a domestic corporation, an estate whose income is subject to United States taxation regardless of its source, or a trust if (i) a United States court can exercise primary supervision over the trust’s administration and one or more United States persons are authorized to control all substantial decisions of the trust or (ii) the trust has properly elected under applicable Treasury Regulations to be treated as a United States person.

This discussion does not address all aspects of United States federal income taxation that may be relevant to a particular holder of Shares in light of the holder’s personal investment circumstances, or those holders subject to special

treatment under the United States federal income tax laws (for example, life insurance companies, dealers or brokers in securities or currencies, tax-exempt organizations, financial institutions, partnerships, Subchapter S corporations, mutual and common trust funds, regulated investment companies, real estate investment trusts, United States expatriates, holders that are liable for the alternative minimum tax, holders that actually or constructively hold (or have ever held) 10% or more of the total voting power or value of all outstanding Duvernay stock, holders who are not United States Shareholders, holders that exercise dissenter's rights, holders that exercised or surrendered Options, holders that received Shares as compensation, holders who hold Shares as a position in a "straddle," as part of a "synthetic security," "hedge," "conversion transaction" or other integrated investment, holders whose functional currency is other than United States dollars, or holders who acquired their Shares upon the conversion or exchange of other stock or securities). In addition, this discussion does not address any aspect of foreign, state or local or estate and gift taxation that may be applicable to a United States Shareholder. If a partnership holds Shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partners in a partnership that beneficially owns Shares should consult their own tax advisors as to the U.S. federal, state and local, and foreign tax consequences of the Offer, Compulsory Acquisition and Subsequent Acquisition Transaction.

Provided that the Shares do not constitute interests in a PFIC and assuming that a United States Shareholder deposits or disposes of all of its Shares pursuant to the Offer (or a Compulsory Acquisition), a United States Shareholder should generally recognize gain or loss equal to the difference between his or her adjusted tax basis, as determined in United States dollars, in the Shares exchanged for cash pursuant to the Offer (or a Compulsory Acquisition) and the United States dollar value of cash received (other than amounts, if any, received in a Compulsory Acquisition that are or may be deemed to be interest for U.S. federal income tax purposes, which would be treated as ordinary income). Such gain, if any, generally should be United States source gain. If the Shares exchanged have been held for more than one year as of the date that such Shares are treated as sold or exchanged for United States federal income tax purposes, the gain or loss should be long-term capital gain or loss subject to taxation (in the case of non-corporate United States Shareholders) at a preferential rate. Deduction of capital losses is subject to certain limitations under the Code. United States Shareholders should consult their own tax advisors regarding the income tax consequences to them of having their Shares acquired pursuant to a Compulsory Acquisition.

In the event that the Shares sold constitute interests in a PFIC, the United States federal income tax consequences of the Offer would be significantly different than the consequences described above. In general, a United States Shareholder would be subject to special, adverse tax rules in respect of the disposition of Shares if Duvernay was classified as a PFIC for any taxable year during which such United States Shareholder holds or held Shares. In general, under the PFIC rules:

- (a) the gain would be allocated rateably over the United States Shareholder's holding period;
- (b) the amount allocated to the current taxable year and any year prior to the first year in which Duvernay was a PFIC would be taxed as ordinary income in the current year;
- (c) the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year; and
- (d) an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each of the other taxable years.

United States Shareholders who have made a special election to treat Duvernay as a "qualified electing fund" ("**QEF**") under the PFIC rules, or who have elected to "mark-to-market" their Shares, may be subject to different United States federal income tax consequences upon a sale of Shares pursuant to the Offer.

Under the Code, Duvernay will be treated as a PFIC for each taxable year in which either (i) 75% or more of its income is passive income or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. For this purpose, passive income generally includes dividends, interest, royalties, rent (other than rents and royalties derived in the active conduct of a trade or business) and gains from the sale or exchange of assets that produce passive income, including certain commodities gains. However, active business gains arising from the sale of commodities generally are excluded from "passive income" if substantially all of a foreign corporation's commodities are (a) stock in trade of such foreign corporation or other property of a kind that would properly be included in inventory of such foreign corporation, or property held by such foreign corporation primarily for sale to customers in the ordinary course of business, (b) property used in the trade or business of such foreign corporation that would be subject to the allowance for depreciation under Section 167 of the Code, or (c) supplies of a type regularly

used or consumed by such foreign corporation in the ordinary course of its business. In determining whether or not it is a PFIC, Duvernay will be treated as owning its proportionate share of the assets, and as receiving its proportionate share of the income, of any corporation in which it owns, directly or indirectly, at least 25% of the stock by value. The PFIC rules are complex and United States Shareholders are strongly urged to consult with their tax advisors to determine if Duvernay is or has been a PFIC at any time during such holder's holding period of Shares, and the impact of the PFIC rules to such holder.

The federal income tax consequences to a United States Shareholder of a Subsequent Acquisition Transaction will depend on the exact manner in which such transaction is carried out and may be substantially the same or materially different than the tax consequences described above for a United States Shareholder who disposes of its Shares under the Offer (or a Compulsory Acquisition). A United States Shareholder may realize a capital gain or loss and/or a deemed dividend depending upon the precise nature of the Subsequent Acquisition Transaction. As of the date hereof, the Offeror can not reasonably determine the exact manner in which a Subsequent Acquisition Transaction may be carried out. United States Shareholders should consult their own tax advisors for advice with respect to the income tax consequences to them of having their Shares acquired pursuant to a Subsequent Acquisition Transaction.

Generally, in the case of a United States Shareholder who receives Canadian dollars in connection with the sale of Shares, the amount realized with respect to the Shares will be based on the United States dollar value of the Canadian dollars received, determined at the spot Canadian/United States dollar rate on the date prescribed by law, regardless of whether the payment is in fact converted into United States dollars. A United States Shareholder who receives payment in Canadian dollars and converts Canadian dollars into United States dollars at a conversion rate other than the rate in effect on the date of the sale or other disposition may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss.

The disposition of Shares pursuant to the Offer, Compulsory Acquisition or Subsequent Acquisition Transaction may also be subject to information reporting requirements and backup withholding. Backup withholding may apply to a non-corporate United States Shareholder that fails to provide an accurate taxpayer identification number, is notified by the Internal Revenue Service that such holder has failed to report all interest and dividends required to be shown on its federal income tax returns, or in certain circumstances, fails to comply with applicable certification requirements. A non-corporate United States Shareholder may obtain a refund of amounts withheld under the backup withholding rules that exceed its income tax liability by filing a refund claim with the United States Internal Revenue Service.

**The foregoing discussion of certain of the United States federal income tax consequences to a United States Shareholder who disposes of Shares solely pursuant to the Offer (or pursuant to a Compulsory Acquisition or Subsequent Acquisition Transaction) is included for general information purposes only and is not intended to be, and should not be construed as, legal or tax advice to any Shareholder. Shareholders are urged to consult their own tax advisor to determine the particular tax consequences to them (including the application and effect of any state, local or foreign income and other tax laws) of the receipt of cash in exchange for Shares pursuant to the Offer (or pursuant to a Compulsory Acquisition or Subsequent Acquisition Transaction), or upon the exercise of dissenter's rights.**

## **17. DEPOSITARY, FINANCIAL ADVISORS, DEALER MANAGERS AND INFORMATION AGENT**

Goldman, Sachs & Co. has been retained as financial advisor to Shell Canada with respect to the Offer and will receive a fee for their services.

Shell Canada has engaged CIBC Mellon Trust Company to act as depositary for the receipt of certificates in respect of Shares and related Letters of Acceptance and Transmittal and Notices of Guaranteed Delivery deposited under the Offer. The Depositary will receive reasonable and customary compensation for its services relating to the Offer and will be reimbursed for certain out-of-pocket expenses. CIBC Mellon Trust Company will be indemnified against certain liabilities and expenses that may arise out of the performance of its obligations.

Goldman Sachs Canada Inc. and Goldman, Sachs & Co. have been retained to serve as dealer managers for the Offer in Canada and the United States, respectively. The Offeror will reimburse the Dealer Managers for their reasonable out-of-pocket expenses, and has also agreed to indemnify the Dealer Managers against certain liabilities and expenses in connection with the Offer, including certain liabilities under Securities Laws. Goldman Sachs Canada Inc. may form a soliciting dealer group comprising members of the Investment Dealers Association of Canada and members of the stock

exchanges in Canada, to solicit acceptances of the Offer in Canada. Each member of such soliciting dealer group is referred to herein as a “**Soliciting Dealer**”. The Offeror has agreed to pay to the Soliciting Dealer, whose name appears in the appropriate space on the Letter of Acceptance and Transmittal accompanying a valid deposit of Shares, a fee of \$0.30 for each Share deposited and acquired by the Offeror under the Offer. The aggregate amount payable to a Soliciting Dealer with respect to any single depositing holder of Shares will be a minimum of \$100 and a maximum of \$1,500, provided that the minimum fee shall only be payable in respect of deposits of 200 Shares or more. Where Shares deposited and registered in a single name are beneficially owned by more than one Person, the minimum or the maximum fee amounts will be applied separately in respect of each such beneficial owner if a Soliciting Dealer provides proof of the beneficial ownership of Shares in respect of which a fee is claimed. The Offeror will not be required to pay a fee to more than one Soliciting Dealer in respect of any one beneficial owner of Shares. The Offeror may require the Soliciting Dealer to furnish evidence of beneficial ownership satisfactory to the Offeror at the time of deposit. Depositing Shareholders will not be obligated to pay any fee or commission if they accept the Offer by using the services of the Dealer Managers or transmit their Shares directly to the Depositary.

Kingsdale Shareholder Services Inc. has been engaged to act as information agent under the Offer. The Information Agent will be responsible for providing information about the Offer to Shareholders resident in Canada and the United States. The Information Agent will receive reasonable and customary compensation for its services in connection with the Offer, will be reimbursed for certain out-of-pocket expenses and will be indemnified against certain liabilities that may arise out of the performance of its obligations as information agent.

Questions and requests for assistance concerning the Offer should be made directly to the Depositary or the Information Agent. Additional copies of this document, the Letter of Acceptance and Transmittal and the Notice of Guaranteed Delivery may also be obtained without charge from the Information Agent or Depositary at the addresses shown on the last page of this document. Copies of the Offer Documents may also be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **18. LEGAL MATTERS**

Legal matters on behalf of the Offeror will be passed upon by Osler, Hoskin & Harcourt LLP, Canadian and U.S. counsel to the Offeror.

## **19. STATUTORY RIGHTS**

Securities legislation in the provinces and territories of Canada provides security holders of Duvernay with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or notice that is required to be delivered to those security holders. However, such rights must be exercised within prescribed time limits. Security holders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of such rights or consult a lawyer.

## **20. DIRECTORS' APPROVAL**

The contents of the Offer and this Circular have been approved and its sending has been authorized by the board of directors of the Offeror.

## CONSENT

### **TO: THE DIRECTORS OF BRS GAS CORP.**

We refer to the offer of BRS Gas Corp. to acquire all of the common shares of Duvernay dated July 17, 2008 (the “Offer”).

We hereby consent to the reference to our opinion contained under “Certain Canadian Federal Income Tax Considerations” and under “Certain United States Federal Income Tax Considerations” in the Circular accompanying the Offer.

*(signed) “Osler, Hoskin & Harcourt LLP”*

Calgary, Alberta  
New York, New York  
July 17, 2008

**CERTIFICATE OF BRS GAS CORP.**

July 17, 2008

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

**BRS GAS CORP.**

*(signed) "Bryan Gould"*  
President and Chief Executive Officer

*(signed) "Dwight van Kampen"*  
Chief Financial Officer

On behalf of the Board of Directors

*(signed) "Bryan Gould"*  
Director

*(signed) "Shannon Cosmescu"*  
Director

## **CERTIFICATE OF SHELL CANADA LIMITED**

July 17, 2008

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

### **SHELL CANADA LIMITED**

*(signed) "David Collyer"*  
President

*(signed) "Dwight van Kampen"*  
Senior Vice President, Finance

On behalf of the Board of Directors

*(signed) "Greg Guidry"*  
Director

*(signed) "Brian Straub"*  
Director

**ANY QUESTIONS OR REQUESTS FOR ASSISTANCE MAY BE DIRECTED TO  
THE INFORMATION AGENT:**

**KINGSDALE SHAREHOLDER SERVICES INC.**

The Exchange Tower  
130 King Street West, Suite 2950, P.O. Box 361  
Toronto, Ontario  
M5X 1E2

North American Toll Free Number: 1-866-851-2638  
Facsimile: 416-867-2271  
Toll Free Facsimile: 1-866-545-5580  
Outside North America, Banks and Brokers Call Collect: 416-867-2272

*The Dealer Managers for the Offer are:*

*In Canada*

**GOLDMAN SACHS CANADA INC.**



Goldman Sachs Canada Inc.  
1310, 311 6th Avenue S.W.  
Calgary, Alberta T2P 3H2  
Telephone: (403) 269-1333

*In the United States*

**GOLDMAN, SACHS & CO.**



Goldman, Sachs & Co.  
85 Broad Street  
New York, New York 10004  
Telephone: (212) 902-1000

*The Depositary for the Offer is:*

**CIBC MELLON TRUST COMPANY**

***By Registered Mail:***

P.O. Box 1036  
Adelaide Street Postal Station  
Toronto, Ontario  
M5C 2K4

***By Mail, Hand or Courier:***

199 Bay Street  
Commerce Court West  
Securities Level  
Toronto, Ontario  
M5L 1G9

600, The Dome Tower  
333 – 7th Avenue S.W.  
Calgary, Alberta  
T2P 2Z1

**Inquiries**

Telephone: (416) 643-5500  
Toll Free: 1-800-387-0825  
Fax: (416) 643-5501  
E-Mail: [inquiries@cibcmellon.com](mailto:inquiries@cibcmellon.com)

**Any questions and requests for assistance may be directed by holders of Shares to the Information Agent, the Depositary or the Dealer Managers at their respective telephone numbers and locations set forth above.**