

***This document is important and requires your immediate attention. It should be read in conjunction with the Original Offer and Circular (as defined on page (ii) below). If you are in doubt as to how to deal with it, you should consult your investment dealer, broker, lawyer or other professional advisor.***

If you have questions, please contact: (i) Laurel Hill Advisory Group, the information agent for the Offer (as defined on page (ii) below), by telephone at 1-877-452-7184 (Toll Free in North America), or 1-416-304-0211 (Collect Outside North America), or by email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com); or (ii) Computershare Investor Services Inc., the depositary for the Offer, by telephone at 1-800-564-6253 (Toll Free in North America), or at 1-514-982-7555 (Collect Outside of North America), or by e-mail at [corporateactions@computershare.com](mailto:corporateactions@computershare.com). Additional contact details for the information agent and the depositary are set out on the back page of this document.

Neither this document nor the Original Offer and Circular has been approved by any securities regulatory authority nor has any securities regulatory authority expressed an opinion about the fairness or merits of the Offer, the securities offered under the Offer or the adequacy of the information contained in the Original Offer and Circular or this document. Any representation to the contrary is an offence. **Savanna Shareholders in the United States should read the "Notice to Savanna Shareholders in the United States" on pages (vi) to (xiv) of this document.**

Information has been incorporated by reference in the Original Offer and Circular from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference in the Original Offer and Circular may be obtained on request and without charge from the Corporate Secretary of Total Energy Services Inc., at 2550, 300 – 5<sup>th</sup> Avenue S.W. Calgary, Alberta T2P 3C4 or by telephone at (403)698-8445. Those documents are also available electronically on SEDAR at [www.sedar.com](http://www.sedar.com), under the SEDAR profile for Total Energy Services Inc.

March 1, 2017



**NOTICE OF CHANGE  
of information contained in  
and  
NOTICE OF VARIATION  
of terms of  
TOTAL ENERGY SERVICES INC.'s  
OFFER TO PURCHASE**

all of the issued and outstanding common shares of

**SAVANNA ENERGY SERVICES CORP.**

**on the amended and increased basis of 0.1300 of a common share of  
Total Energy Services Inc. and \$0.20 in cash  
for each common share of Savanna Energy Services Corp.**

Total Energy Services Inc. ("Total Energy" or the "Offeror"), has prepared this Notice of Change and Notice of Variation (the "Notice of Change and Variation") to, among other things: (i) amend certain terms set out in its offer, dated December 9, 2016 (the "Original Offer"), to purchase, on and subject to the terms and conditions of the Original Offer, all of the issued and outstanding common shares (the "Savanna Common Shares") of Savanna Energy Services Corp. ("Savanna" or the "Company"), including any Savanna Common Shares that may become issued and outstanding (including upon the exercise, exchange or conversion of any Convertible Securities (as

defined in the Glossary of this document)) after the date hereof, but before the Expiry Time (as defined in the Glossary of this document); (ii) update certain information set out in the Original Offer and Circular; and (iii) supplement information set out in the Original Offer and Circular (including to provide additional context for the Offer and respond to certain assertions made by Savanna in its Directors' Circular, dated December 23, 2016). Readers should note that none of the amendments to the terms of the Offer set out in this document affects the number of Total Common Shares expected to be distributed in exchange for Savanna Common Shares tendered to the Offer, the Expiry Time or any of the conditions to the Offer; the amendments to the terms of the Offer set out in this document are being made in order to: (a) increase the consideration payable under the Offer to 0.1300 of a common share of Total Energy (a "**Total Common Share**") and \$0.20 in cash per Savanna Common Share (together, the "**Offer Consideration**"); and (b) ensure technical compliance of the Offer with applicable Canadian Securities Laws. Whenever used in this Notice of Change and Variation, the term "**Offer**" means the Original Offer, as amended hereby, unless the context requires otherwise (in which case "**Offer**" means the Original Offer).

**THE OFFER HAS BEEN AMENDED TO, AMONG OTHER THINGS, INCREASE THE CONSIDERATION PAYABLE UNDER THE OFFER TO 0.1300 OF A TOTAL COMMON SHARE AND \$0.20 IN CASH FOR EACH SAVANNA COMMON SHARE**

**THE OFFER REMAINS OPEN FOR ACCEPTANCE UNTIL 11:59 P.M. (PACIFIC TIME) ON MARCH 24, 2017 UNLESS THE OFFER IS ACCELERATED OR EXTENDED BY TOTAL ENERGY OR WITHDRAWN BY TOTAL ENERGY.**

This Notice of Change and Variation should be read in conjunction with: (i) the Original Offer and the associated take-over bid circular dated December 9, 2016 (the "**Original Circular**", and together with the Original Offer, the "**Original Offer and Circular**"); (ii) the Letter of Transmittal (as defined in the Glossary of this document) that accompanied the Original Offer and Circular; (iii) the Notice of Guaranteed Delivery (as defined in the Glossary of this document) that accompanied the Original Offer and Circular; and (iv) the Amended Letter of Transmittal (as defined in the Glossary of this document) that accompanies this Notice of Change and Variation. To the extent not otherwise specifically set out in this document, the Original Offer and Circular, the Letter of Transmittal that accompanied the Original Offer and Notice of Guaranteed Delivery are deemed to be amended as of the date hereof to give effect to the amendments to the Original Offer described in this document. Except as otherwise set out in or amended by this Notice of Change and Variation, the terms and conditions of the Original Offer and the information in the Original Offer and Circular, the Letter of Transmittal that accompanied the Original Offer (as read in conjunction with the Amended Letter of Transmittal) and the Notice of Guaranteed Delivery continue to be applicable in all respects. The Original Offer and Circular and this Notice of Change and Variation are collectively referred to in this document as the "**Offer and Circular**".

Unless inconsistent with the context: (i) all references to the "**Offer**" in the Original Offer and Circular should be read as references to the Original Offer as amended hereby; (ii) all references to the "**Circular**" in the Original Offer and Circular should be read as references to the Original Circular, as amended hereby; and (iii) all references to the "**Offer and Circular**" in the Original Offer and Circular should be read as references to the Original Offer and Circular, as amended hereby.

Total Energy has obtained two of the Required Regulatory Approvals for the Offer, being the Competition Act Clearance (as defined in the Glossary of this document) and the conditional approval of the TSX to list the Total Common Shares to be distributed under the Offer. In addition, the shareholders of Total Energy have approved the issuance of the Total Common Shares to be issued to Savanna Shareholders under the Offer.

**Savanna Shareholders who have validly deposited under the Offer and not withdrawn their Savanna Common Shares need take no further action to accept the Offer, unless a Savanna Shareholder that is an Eligible Holder (as defined on page 12 of this document) wishes to utilize the tax election procedure allowed for in the Amended Letter of Transmittal, in which case, an Amended Letter of Transmittal (duly completed to include the tax election) is required to be submitted by such Savanna Shareholder to the depositary for the Offer, Computershare Investor Services Inc. (the "Depositary"). Failure to provide the Depositary with an Amended Letter of Transmittal will prevent a Savanna Shareholder that is an Eligible Holder from making the tax election allowed for in the Amended Letter of Transmittal. See Section 1 of this Notice of Change and Variation, entitled "Increase to the Offer Consideration" under the subheading "Tax Considerations – Canada – Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada".**

**All Savanna Shareholders who tender their Savanna Common Shares to the Offer will receive the increased consideration per Savanna Common Share described in this document, including those Savanna Shareholders who have already validly deposited (and not withdrawn) their Savanna Shares under the Offer.** Savanna Shareholders who have not yet deposited their Savanna Common Shares under the Offer and who wish to accept the Offer must, prior to the Expiry Time, properly complete and execute a Letter of Transmittal (printed on YELLOW or BLUE paper, as applicable) and tender it, or a manually signed facsimile thereof, together with certificate(s) or a DRS Statement (as defined in the Glossary of this document) representing their Savanna Common Shares and any other documents required by the Letter of Transmittal, to the Depository, at any one of the offices of the Depository specified in the Letter of Transmittal. **The Letter of Transmittal which accompanied the Original Offer and Circular has been amended to reflect the increase in the consideration payable under the Offer and allow Eligible Holders to make a tax election, as described herein. See Section 1 of this Notice of Change and Variation, entitled "Increase to the Offer Consideration" under the subheading "Tax Considerations – Canada – Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada". The Amended Letter of Transmittal accompanies this Notice of Change and Variation. Savanna Shareholders who have not yet deposited their Savanna Common Shares under the Offer should properly complete the Amended Letter of Transmittal and submit it to the Depository. Savanna Shareholders who are Eligible Holders and who have validly deposited their Savanna Common Shares under the Offer and submitted the Letter of Transmittal that accompanied the Original Offer and Circular should complete the Amended Letter of Transmittal if they wish to make use of the tax election procedure allowed for in the Amended Letter of Transmittal and deliver it to the Depository. Savanna Shareholders who have already validly deposited (and not withdrawn) their Savanna Common Shares under the Offer and who do not submit an Amended Letter of Transmittal to the Depository will be considered to have disposed of a portion of such Savanna Common Shares for Total Common Shares and to have disposed of the remaining portion of such Savanna Common Shares for cash in the proportions described under the heading "Offer Consideration" on page 4 of the Amended Letter of Transmittal. See Section 1 of this Notice of Change and Variation, entitled "Increase to the Offer Consideration" under the subheading "Tax Considerations – Canada – Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Disposition of Savanna Common Shares Pursuant to the Offer – Disposition of Savanna Common Shares Where No Indication to Make a Subsection 85(1) Tax Election".** Detailed rules and instructions are set out in the Letter of Transmittal. Alternatively, Savanna Shareholders may accept the Offer by: (i) following the procedures for book-entry transfer of Savanna Common Shares described in Section 3 of the Original Offer, "Manner of Acceptance – Acceptance by Book-Entry Transfer"; or (ii) following the procedures for guaranteed delivery described in Section 3 of the Original Offer, "Manner of Acceptance – Procedure for Guaranteed Delivery", using the Notice of Guaranteed Delivery (printed on GREEN paper), or a manually signed facsimile thereof, in cases where the certificate(s) or DRS Statement representing the Savanna Common Shares is (are) not immediately available, the Savanna Shareholder cannot complete the procedures for book-entry transfer of Savanna Common Shares on a timely basis or if the Savanna Shareholder cannot deliver the certificate(s) or DRS Statement for the applicable Savanna Common Shares, the Letter of Transmittal and all other required documents (if any) to the Depository prior to the Expiry Time. Savanna Shareholders who wish to accept the Offer will not be required to pay any fee or commission if they tender their Savanna Common Shares directly to the Depository.

**Savanna Shareholders whose Savanna Common Shares are held on their behalf, or for their account, by an investment dealer, broker, bank, trust company or other intermediary, should contact their intermediary directly if they wish to accept the Offer. Intermediaries will likely establish tendering cut-off times that are up to 48 hours prior to the Expiry Time. As a result, Savanna Shareholders who wish to tender their Savanna Common Shares to the Offer and whose Savanna Common Shares are held through an intermediary should promptly and carefully follow the instructions provided to them by their investment dealer, broker, bank, trust company or other intermediary.**

**All cash payments under the Offer will be made in Canadian dollars.**

Questions and requests for assistance may be directed to the Depository or Laurel Hill Advisory Group, the information agent appointed by Total Energy for the Offer (the "**Information Agent**"). Contact details may be found on the back page of this document. Additional copies of this document and related materials may be obtained (on request and without charge) from the Depository or the Information Agent at their respective offices specified on the back page of this document. Copies of this document and related materials may also be found on SEDAR at [www.sedar.com](http://www.sedar.com), under the SEDAR profile for Savanna. This website address is provided for informational

purposes only and no information contained on, or accessible from, this website is incorporated by reference in this document.

**Ownership of the Total Common Shares that may be distributed in connection with the Offer involves certain risks. For a discussion of various risk factors you should consider in evaluating the Offer, refer to Section 28 of the Original Circular, "Risk Factors" (to be read in conjunction with the additional risk factor disclosure in this document).**

Savanna Shareholders are urged to consult their own tax advisors to determine the particular tax consequences to them of a sale of Savanna Common Shares under the Offer or a disposition of Savanna Common Shares pursuant to any Compulsory Acquisition or Subsequent Acquisition Transaction. Savanna Shareholders should consult their own tax advisors to determine whether they should make the tax election. Savanna Shareholders whose Savanna Common Shares are held on their behalf, or for their account, by an investment dealer, broker, bank, trust company or other intermediary and who wish to make the tax election should contact their intermediary directly to determine the procedure for making the tax election. It is the Savanna Shareholder's responsibility to take the steps required to make a valid tax election. See the information set out in Section 1 of this Notice of Change and Variation, under the headings "Certain Canadian Federal Income Tax Considerations" and "Certain United States Federal Income Tax Considerations".

No Person (including the Depositary, the Information Agent or any dealer manager or soliciting dealer) has been authorized to give any information or make any representation or warranty on behalf of Total Energy or any of its Affiliates (as defined in the Glossary of this document) in connection with the Offer other than as contained in this document, the Original Offer and Circular and the Letter of Transmittal and, if given or made, any such information, representation or warranty must not be relied upon as having been authorized by Total Energy, the Depositary, the Information Agent or any dealer manager or soliciting dealer. Except as set out in the Offer and Circular, no broker, investment dealer or other Person has been appointed as an agent of Total Energy, or any of its Affiliates, the Depositary, the Information Agent or any dealer manager, for purposes of the Offer.

Neither this document nor the Original Offer and Circular constitutes 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 tenders be accepted from or on behalf of, Savanna Shareholders in any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the Laws of such jurisdiction. However, Total Energy may, in its sole discretion, take such action as it may deem necessary to extend the Offer to Savanna Shareholders in any such jurisdiction.

**SAVANNA SHAREHOLDERS IN THE UNITED STATES SHOULD NOTE THE FOLLOWING:**

The Offer is being made by a Canadian foreign private issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this document and the Original Offer and Circular in accordance with the disclosure requirements of Canadian Securities Laws. Savanna Shareholders should be aware that such requirements are different from those of the United States. The financial statements included or incorporated by reference in this document and the Original Offer and Circular have been prepared in accordance with International Financial Reporting Standards, and may be subject to foreign auditing and auditor independence standards, and, thus, may not be comparable to financial statements of United States companies.

Savanna Shareholders who are resident in, or citizens of, the United States, should be aware that the disposition of their Savanna Common Shares and the acquisition by them of Total Common Shares (representing partial consideration under the Offer) under the Offer may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein and such Savanna Shareholders are encouraged to consult their tax advisors.

The enforcement by investors of civil liabilities under United States Securities Laws may be affected adversely by the fact that Total Energy is incorporated and organized under the laws of the Province of Alberta, that all of its officers and directors are residents of Canada, that some or all of the experts named in this document and the Original Offer and Circular may be residents of a foreign country, and that all or a substantial portion of the assets of Total Energy and said persons may be located outside the United States.

**THE ISSUANCE OF THE TOTAL COMMON SHARES UNDER THE OFFER HAS NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT OR THE ORIGINAL OFFER AND CIRCULAR AND ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**Savanna Shareholders should be aware that Total Energy, directly or indirectly, may, prior to the Expiry Time, bid for or make purchases of Savanna Common Shares, as permitted by Canadian Securities Laws.**

**Savanna Shareholders in the United States should read the "Notice to Savanna Shareholders in the United States" on pages (vi) to (xiv) of this document, which replaces in its entirety the section "Notice to Savanna Common Shareholders in the United States" in the Original Offer and Circular.**

The head office of Total Energy is located at 2550, 300 – 5<sup>th</sup> Avenue S.W. Calgary, Alberta T2P 3C4 and the registered office of Total Energy is located at 4500, 855 – 2<sup>nd</sup> Street S.W. Calgary, Alberta T2P 4K7.

Various capitalized terms used in this document (including in these cover pages) are defined in the Glossary of this document starting on page 45.

Information contained in this document is given as of March 1, 2017, unless otherwise noted or the context otherwise requires. Total Energy does not undertake any obligation to update any such information except as required by applicable Canadian Securities Laws. Information in this document and the Original Offer and Circular relating to Savanna has been compiled from public sources. See "Notice Regarding Savanna Information" on page (xv) of this document.

The changes to the Original Offer and Circular (dated December 9, 2016) described in Section 3(b) of this Notice of Change and Variation are considered by Total Energy to be immaterial and are intended to clarify certain information in the Original Offer and Circular and address typographical errors in the Original Offer and Circular.

**The effective date of the amendments/variations to the Original Offer set out in this Notice of Change and Variation is February 28, 2017.**

**QUESTIONS MAY BE DIRECTED TO THE INFORMATION AGENT**



**North America Toll Free: 1-877-452-7184**

**Collect Calls Outside North America: 416-304-0211**

**Email: [assistance@laurelhill.com](mailto:assistance@laurelhill.com)**

## NOTICE TO SAVANNA SHAREHOLDERS IN THE UNITED STATES

**This section replaces in its entirety the section "Notice to Savanna Common Shareholders in the United States" in the Original Offer and Circular. Savanna Shareholders in the United States should read this section and not such section in the Original Offer and Circular.**

The Offer is being made for the securities of a Canadian foreign private issuer that does not have securities registered under Section 12 of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). Accordingly, the Offer is not subject to Section 14(d) of the Exchange Act, or Regulation 14D promulgated thereunder.

All references to "\$" and "dollars" in this "Notice to Savanna Shareholders in the United States" are stated in lawful currency of the United States of America.

The Offer is being conducted in accordance with Section 14(e) of the Exchange Act and Regulation 14E promulgated thereunder. Total Energy, a Canadian foreign private issuer, is permitted under a multijurisdictional disclosure system adopted by the United States, to prepare the Offer and Circular in accordance with the disclosure requirements of Securities Laws in force in Canada.

Savanna Shareholders who are resident in, or citizens of, the United States should be aware that the disposition of their Savanna Common Shares and the acquisition by them of Total Common Shares, representing partial consideration under the Offer, as described herein, may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein and such Savanna Shareholders are encouraged to consult their tax advisors. See Section 1 of this Notice of Change and Variation under the headings "Tax Considerations – Canada – Certain Canadian Federal Income Tax Considerations" and "Tax Considerations – United States – Certain United States Federal Income Tax Considerations".

No offer to sell or solicitation of an offer to buy Total Common Shares pursuant to the Offer is made in the U.S. states of Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, the District of Columbia, Florida, Illinois, Kentucky, Louisiana, Maryland, Massachusetts, Montana, Nebraska, Nevada, New Jersey, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Utah, Virginia, Washington, West Virginia and Wyoming or in Puerto Rico (collectively, the "**Restricted States**") except to a person who qualifies as an "exempt institutional investor" in the applicable Restricted State.

Savanna Shareholders who reside in one of the Restricted States and who wish to tender their Savanna Common Shares to the Offer in exchange for Total Common Shares (representing partial consideration under the Offer) must qualify as an "exempt institutional investor" in such jurisdiction. The criteria that must be satisfied to qualify as an exempt institutional investor in each of the Restricted States is set out below:

**Alabama** A bank, savings institution, credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or to a dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

**Alaska** Banks, savings institutions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit-sharing trusts, or to broker-dealers, whether the purchasers are acting for themselves or in some fiduciary capacity.

**Arizona** A bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit sharing trust or other financial institution or institutional buyer or a dealer whether the purchaser is acting for itself or in a fiduciary capacity.

<b>Arkansas</b>	A bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
<b>California</b>	Banks, savings and loan associations, trust companies, insurance companies, investment companies registered under the Investment Company Act of 1940, pension or profit-sharing trusts (other than pension or profit-sharing trusts of the issuer, self-employed individual retirement plans or individual retirement accounts), or certain other institutional investors or governmental agencies or instrumentalities designated by the Commissioner of Corporations, or to broker-dealers, provided that the purchaser represents that it is purchasing for its own account (or as trustee) for investment and not with a view to or for sale in connection with any distribution of the securities.
<b>Colorado</b>	A depository institution; insurance company; separate account of an insurance company; investment company registered under, or business development company as defined in, the federal Investment Company Act of 1940; private business development company as defined in the federal Investment Advisers Act of 1940; an employee pension, profit-sharing, or benefit plan having total assets in excess of \$5,000,000 or whose investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is either a broker-dealer registered under the Exchange Act, an investment adviser registered or exempt from registration under the federal Investment Advisers Act of 1940, a depository institution, or an insurance company; an entity, other than an individual, a substantial part of whose business activities consists of investing, purchasing, selling, or trading in securities of more than one issuer and not of its own issue and that has total assets in excess of \$5,000,000 as of the end of its latest fiscal year; small business investment company licensed by the federal small business administration under the federal Small Business Investment Act of 1958; to any other institutional buyer or to a broker-dealer; whether the purchaser is acting for itself or in a fiduciary capacity.
<b>Connecticut</b>	Banks and trust companies, national banking associations, savings banks, savings and loan associations, federal savings and loan associations, credit unions, federal credit unions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit-sharing trusts, or other financial institutions or institutional buyers, or to broker-dealers, whether acting for themselves or in some fiduciary capacity.
<b>Delaware</b> <sup>(1)</sup>	Banks, savings institutions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit-sharing trusts, or other financial institutions or institutional buyers, or to broker-dealers, whether acting for themselves or in some fiduciary capacity, except if the institutional buyer is in fact acting only as agent for another purchaser that is not one of the above institutions.
<b>District of Columbia</b>	A depository institution; insurance company; investment company registered under the Investment Company Act of 1940; business development company as defined in the Investment Company Act of 1940; an employee pension, profit-sharing, or benefit plan having total assets in excess of \$5,000,000 or whose investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is either a broker-dealer registered under the Exchange Act, an Investment Adviser registered or exempt from registration under the federal Investment Advisers Act of 1940, a depository institution or an insurance company; a "qualified institutional buyer" as defined in SEC Rule 144A; a broker-dealer; an accredited investor as defined in SEC Rule 501(a); a limited liability company with net assets of at least \$500,000; and any other financial institution or institutional buyer, whether acting for itself or others in a fiduciary capacity.

<b>Florida</b>	A bank or trust company, savings institution, insurance company, dealer, investment company as defined by the Investment Company Act of 1940, or pension or profit-sharing trust or qualified institutional buyer as defined in SEC Rule 144A, as such rule existed on November 1, 1992, whether any such entity is acting in its individual or fiduciary capacity; provided that the offer or sale of securities is not for the direct or indirect promotion of any scheme or enterprise with the intent of violating or evading any provision of the Florida Securities Act.
<b>Illinois</b> <sup>(2)</sup>	Any corporation, bank, savings bank, savings institution, savings and loan association, trust company, insurance company, building and loan association, or dealer; to a pension fund or pension trust, employees' profit-sharing trust, other financial institution or institutional investor, or any government or political subdivision or instrumentality thereof, whether the purchaser is acting for itself or in some fiduciary capacity; to any partnership or other association engaged as a substantial part of its business or operations in purchasing or holding securities; to any trust in respect of which a bank or trust company is trustee or co-trustee; to any entity in which at least 90% of the equity thereof is owned by the directors, executive officers or general partners of such entity or by the above institutions or by individual "accredited investors" as defined in Regulation D, Rule 501(a) (5) or (6) under the U.S. Securities Act (as defined in the Glossary of this document); or to any employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974 (i) having total assets in excess of \$5,000,000, or (ii) whose investment decisions are made by a plan fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is either a bank, savings and loan association, insurance company, registered investment adviser or investment adviser registered under the Investment Advisers Act of 1940, or (iii) in the case of a self-directed plan, whose investment decisions are made solely by the above persons or institutions; to any plan with total assets in excess of \$5,000,000 established and maintained by, and for the benefit of the employees of, any state or political subdivision or agency or instrumentality thereof; an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, or to any Massachusetts or similar business trust or any partnership if such organization, trust or partnership has total assets in excess of \$5,000,000.
<b>Kentucky</b> <sup>(3)</sup>	A bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
<b>Louisiana</b>	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, real estate investment trust, small business investment corporation, pension or profit-sharing plan or trust, other financial institution, or any dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
<b>Maryland</b> <sup>(4)</sup>	Banks, savings and loan associations, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, employee benefit plans with assets of not less than \$1,000,000, governmental agencies or instrumentalities, investment advisers with assets under management of not less than \$1,000,000, or broker-dealers, whether acting for themselves or as trustees or as fiduciaries with investment control, or other institutional investors as designated by rule or order of the Commissioner.
<b>Massachusetts</b> <sup>(5)</sup>	Banks, savings institutions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit-sharing



trusts, or other financial institutions or institutional buyers, or to broker-dealers, whether acting for themselves or in some fiduciary capacity.

**Montana** <sup>(3)</sup>

Bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.

**Nebraska** <sup>(6)</sup>

Bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, to an individual accredited investor, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity. The term "individual accredited investor" means (a) any director, executive officer or general partner of the issuer of the securities being offered or sold, or any director, executive officer or general partner of a general partner of that issuer, (b) any manager of a limited liability company that is the issuer of the securities being offered or sold, (c) any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his or her purchase, exceeds one million dollars (\$1,000,000), or (d) any natural person who had an individual income in excess of two hundred thousand dollars (\$200,000) in each of the two most recent years or joint income with that person's spouse in excess of three hundred thousand dollars (\$300,000) in each of those years and has a reasonable expectation of reaching the same income level in the current year.

**Nevada** <sup>(7)</sup>

A depository institution; insurance company; separate account of an insurance company; investment company as defined in the Investment Company Act of 1940; an employee pension, profit-sharing, or benefit plan having total assets in excess of \$5,000,000 or whose investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is either a broker-dealer registered under the Exchange Act, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution, or an insurance company; to any other institutional buyer; whether acting for itself or others in a fiduciary capacity other than as an agent; or to a broker-dealer.

**New Jersey**

Banks, savings institutions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit-sharing trusts, or other financial institutions or institutional buyers, including Qualified Institutional Buyers as defined in SEC Rule 144A, or to broker-dealers, whether acting for themselves or in a fiduciary capacity.

**North Carolina**

Any entity which has a net worth in excess of \$1,000,000 as determined by generally accepted accounting principles, any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any dealer, whether the purchaser is acting for itself or in some fiduciary capacity. The term entity includes a corporation, joint-stock company, limited liability company, business trust, limited partnership or other partnership in which the interests of the partners are evidenced by a security, trust in which the interests of the beneficiaries are evidenced by a security, any other unincorporated organization in which two or more persons have a joint or common economic interest evidenced by a security, and governmental or political subdivision of a government.

**Ohio**

A bank, trust company, savings and loan association, savings bank, credit union incorporated or organized under the laws of a state, the United States, Canada or any province of Canada that is subject to regulation or supervision by that country, state, or province, or any international banking institution; any insurance company or separate

account of an insurance company; an investment company; broker-dealer registered under the Exchange Act, or licensed by the Ohio Division of Securities as a dealer; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in ERISA that is a broker-dealer registered under the Exchange Act, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, or an investment adviser registered under the Ohio Securities Act, a bank, or an insurance company; a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in ERISA that is a broker-dealer registered under the Exchange Act, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, or an investment adviser registered under the Ohio Securities Act, a bank, or an insurance company; a trust (except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans) with total assets in excess of \$10,000,000 if its trustee is a depository institution, and its participants are exclusively employee pension, profit-sharing, or benefit or governmental plans described above regardless of the size of their assets; an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$10,000,000; a small business investment company licensed under Section 301(c) of the Small Business Investment Act of 1958 with total assets in excess of \$10,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$10,000,000; a federal covered investment adviser acting for its own account; a qualified institutional buyer as defined in Rule 144A(a)(1), other than Rule 144A(a)(i)(H), adopted under the U.S. Securities Act; a "major United States institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Exchange Act; or any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the Ohio Securities Act; whether acting for itself or for others in a fiduciary capacity; or a federal covered investment adviser acting for its own account.

**Oregon** <sup>(3)</sup>

Securities rated in the first four ratings by Standard & Poor's Corporation or Moody's Investors Service, Inc. may be sold to anyone. Securities not so rated may be sold only to a bank, savings institution, trust company, insurance company, investment company, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, mortgage broker or mortgage banker, whether the purchaser is acting for itself or in a fiduciary capacity when the purchaser has discretionary authority to make investment decisions.

**Pennsylvania** <sup>(8)</sup>

Broker-dealers, insurance companies, pension or profit sharing plans or trusts (except a municipal pension plan or system), investment companies as defined in the Investment Company Act of 1940, banks, savings banks, savings institutions, savings and loan associations, thrift institutions, trust companies or similar organizations organized or chartered under the laws of the United States or any of its territories or possessions, or of any state, the District of Columbia or Puerto Rico, which are authorized to and receive deposits, are supervised and examined by officials or agencies of the organizing or chartering entity, and whose deposits are insured by the Federal Deposit Insurance Corporation or a successor authorized by Federal law, or persons, other than individuals, controlling any of the foregoing, the Federal Government, State or any agency or political subdivision thereof, except public school districts of Pennsylvania, or any other person so designated by regulation of the Pennsylvania Securities Commission, whether the buyers are acting for themselves or in some fiduciary capacity.

<b>Puerto Rico</b> <sup>(3)</sup>	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Companies Act of Puerto Rico, pension or profit-sharing trust, or other financial institution or institutional buyer, or to any broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
<b>Rhode Island</b> <sup>(3)</sup>	A depository institution; insurance company; a separate account of an insurance company, investment company as defined in the Investment Company Act of 1940; an employee pension, profit-sharing or benefit plan having total assets in excess of \$5,000,000 or whose investment decisions are made by a plan fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is either a broker-dealer registered under the Exchange Act, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution, or an insurance company; to any other institutional buyer, whether acting for itself or others in a fiduciary capacity; or to a broker-dealer.
<b>Tennessee</b>	Banks, trust companies, insurance companies, investment companies registered under the Investment Company Act of 1940, as amended, holding companies which control any of the foregoing, trusts or funds over which any of the foregoing has or shares investment discretion, a pension or profit-sharing plan, an institutional buyer (as the Commissioner may further define by rule), or any other person engaged as a substantial part of its business in investing in securities, in each case having a net worth in excess of \$1,000,000, or to broker-dealers.
<b>Texas</b> <sup>(9)</sup>	Any bank, trust company, building and loan association, insurance company, surety or guaranty company, savings institution, credit union, savings and loan association, federal savings bank, investment company as defined in the Investment Company Act of 1940, small business investment company as defined in the Small Business Investment Act of 1958, as amended, or any registered dealer actually engaged in buying and selling securities, or to certain institutional investors designated by regulation of the Texas Securities Board, provided the purchaser is purchasing for its own account or as trustee of a trust not specifically formed to purchase the securities and is not acting as agent for another person which is not one of the above institutions.
<b>Utah</b> <sup>(3)</sup>	Depository institutions; trust companies; insurance companies; investment companies as defined in the Investment Company Act of 1940; pension or profit-sharing trusts; other financial institutions or institutional investors; or to broker-dealers; whether acting for themselves or in some fiduciary capacity.
<b>Virginia</b>	Any corporation, investment company or pension or profit-sharing trust or to a broker-dealer.
<b>Washington</b> <sup>(10)</sup>	A bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity.
<b>West Virginia</b> <sup>(11)</sup>	Banks, savings institutions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit-sharing trusts, or other financial institutions or institutional buyers, or to broker-dealers, whether acting for themselves or in some fiduciary capacity.

## Wyoming<sup>(3)</sup>

Banks, savings institutions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit-sharing trusts, or other financial institutions or institutional buyers, or to broker-dealers, whether acting for themselves or in some fiduciary capacity.

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### Notes:

- (1) The term "institutional buyers" has been defined by regulation to include the following: (i) an accredited investor, as that term is defined in Rule 501(a)(1)-(4), (7) and (8) of Regulation D under the U.S. Securities Act excluding, however, any self-directed employee benefit plan with investment decisions made solely by persons that are accredited investors as defined in Rule 501(a)(5) and (6) of Regulation D; (ii) any Qualified Institutional Buyer as defined in Rule 144A(a)(1) under the U.S. Securities Act; and (iii) a corporation, partnership, trust, estate, or other entity (excluding individuals) having a net worth of not less than \$5,000,000 or a wholly-owned subsidiary of such entity, as long as the entity was not formed for the purpose of acquiring the securities.
- (2) The terms "financial institution" or "institutional investor" have been defined by regulation to include but not be limited to: (i) a manager of investment accounts on behalf of other than natural persons who, with affiliates, exercises sole investment discretion with respect to such accounts, provided there are more than 10 such accounts having a fair market value of not less than \$10,000,000; (ii) investment companies, universities and other organizations whose primary purpose is to invest its own assets or those held in trust by it for others; (iii) trust accounts and individual or group retirement accounts in which a bank, trust company, insurance company or savings and loan institution acts in a fiduciary capacity; (iv) foundations and endowment funds exempt from taxation under the Internal Revenue Code of 1986, a principal business function of which is to invest funds to produce income in order to carry out the purpose of the foundation or fund.
- (3) The relevant regulatory agency has opined or stated that Qualified Institutional Buyers under SEC Rule 144A fall within the definition or meaning of "institutional investor" or "institutional buyer".
- (4) The institutional investors designated by rule of the Commissioner of Securities include: (a) an accredited investor as defined in Rule 501(a)(1) - (3), (7) and (8) of Regulation D under the U.S. Securities Act; and (b) a Qualified Institutional Buyer within the meaning of Rule 144A under the U.S. Securities Act.
- (5) The term institutional buyer includes, but is not limited to: (1) a small business investment company licensed by the United States Small Business Administration; (2) a private business development company as defined in the Investment Advisers Act of 1940, as amended; (3) a business development company as defined in the Investment Company Act of 1940, as amended; (4) an entity with total assets in excess of \$5,000,000 and which is either (a) a company (whether a corporation, Massachusetts or similar business trust, partnership, limited liability company or limited liability partnership) not formed for the specific purpose of acquiring the securities offered, a substantial part of whose business activities consists of investing, purchasing, selling or trading in securities of others and whose investment decisions are made by persons reasonably believed by the seller to have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment or (b) an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986; and (5) a Qualified Institutional Buyer as defined in 17 CFR 230.144A(a).
- (6) The following have been added to the list of exempt institutional investors by the Bureau of Securities: (1) a business development company as defined in the Investment Company Act of 1940; (2) a small business investment company licensed by the United States Small Business Administration. In an interpretative opinion, the Bureau of Securities has limited the scope of the term pension or profit-sharing trust to mean an employee benefit plan, as defined in Title I of the Employee Retirement Income Security Act of 1974, if: (a) investment decisions are made by a plan fiduciary, as defined in the Employee Retirement Income Security Act of 1974, which is either a bank, insurance company or registered investment adviser or (b) the plan has total assets in excess of \$5,000,000.
- (7) The Administrator will interpret "institutional buyer" to include, without limitation, any accredited investor as defined under Rule 501 of Regulation D of the U.S. Securities Act.
- (8) Persons designated by regulation of the Pennsylvania Securities Commission include: (1) a corporation or business trust or a wholly-owned subsidiary of such person which has been in existence for 18 months and which has a tangible net worth on a consolidated basis, as reflected in its most recent audited financial statements, of \$10 million or more; (2) a college, university, or other public or private institution which has received exempt status under Section 501(c)(3) of the Internal Revenue Code of 1954 and which has total endowment or trust funds, including annuity and life income funds, of \$5 million or more according to its most recent audited financial statements, provided that the aggregate dollar amount of securities being sold to the person under the exemption contained in Section 203(c) of the Pennsylvania Securities Act of 1972 (the "Act") may not exceed 5.0% of the endowment or trust funds; (3) a wholly-owned subsidiary of a bank as defined in Section 102(d) of the Act and Section 102.041 of the Regulations of the Pennsylvania Securities Commission (relating to banking institutions and savings and loan institutions); (4) a person, except an individual or an entity whose securityholders consist entirely of one individual or group of individuals who are related, which is organized primarily for the purpose of purchasing, in non-public offerings, securities of corporations or issuers engaged in research and development activities in conjunction with a corporation and which complies with one of the following: (i) has purchased \$5 million or more of the securities offered excluding both of the following: (A) a purchase of securities of a corporation in which the person directly or beneficially owns more than 50% of the issuing corporation's voting securities, but securities purchased under a leveraged buy-out financing in which the person does not intend to provide direct management to the issuer, shall not be excluded, or (B) any dollar amount of a purchase of securities of a corporation which investment represents more than 20% of the person's net worth; (ii) is capitalized at \$2,500,000 or more and is controlled by an individual controlling a person which meets the criteria contained in subparagraph (i); (iii) is capitalized at \$10 million or more and has purchased \$500,000 or more of the securities, excluding a purchase of securities of a corporation in which the person directly or beneficially owns more than 50% of the corporation's voting securities; (iv) is capitalized at \$250,000 or more and is a person who is promoted and controlled by individuals controlling a person meeting the criteria of subparagraph (4)(i), (ii) or (iii) above and which is formed exclusively for the purpose of purchasing securities of issuers in various amounts and on the same terms and conditions as persons promoted and controlled by individuals controlling a person meeting the criteria of subparagraph (4)(i), (ii) or (iii) above (a "**side-by-side fund**"); (5) a Small Business Investment Company as that term is defined in Section 103 of the Small Business Investment Act of 1958, which either: (i) has total capital of \$1 million or more; or (ii) is controlled by institutional investors as defined in Section 102(k) of the Act or as herein defined; (6) a Seed Capital Fund, as defined in Section 2 and authorized in Section 6 of the Pennsylvania Small Business Incubators Act; (7) a Business Development Credit Corporation, as authorized by the Pennsylvania Business Development Credit Corporation Law; (8) a person whose securityholders consist solely of

institutional investors or broker-dealers; (9) a Qualified Institutional Buyer as defined in Rule 144A under the U.S. Securities Act; and (10) a Qualified Pension and Profit Sharing and Stock Bonus Plan under section 401 of the Internal Revenue Code of 1986 (KEOGH), an Individual Retirement Account under section 408 of the Internal Revenue Code of 1986 (IRA) and a Simplified Employee Pension under section 408(k) of the Internal Revenue Code of 1986 (SEP) if the KEOGH, IRA or SEP has (a) plan assets of \$5 million or more, or (b) retained, on an ongoing basis, the services of a person knowledgeable and experienced in financial and business matters to render professional investment management advice and has investments of \$500,000 or more in securities.

- (9) The institutional investors designated by the Texas Securities Board include: (i) an accredited investor, as that term is defined in Rule 501(a)(1)-(4), (7) and (8) of Regulation D under the U.S. Securities Act excluding, however, any self-directed employee benefit plan whose investment decisions are made solely by persons that are accredited investors as defined in Rule 501(a)(5) - (6) of Regulation D; (ii) any Qualified Institutional Buyer as defined in Rule 144A(a)(1) under the U.S. Securities Act; (iii) a corporation, partnership, trust, estate, or other entity (excluding individuals) having a net worth of not less than \$5,000,000 or a wholly-owned subsidiary of such entity, as long as the entity was not formed for the purpose of acquiring the Securities.
- (10) The Administrator has included the following as institutional buyers: (a) a corporation, business trust or partnership, or a wholly-owned subsidiary thereof, which has been in operation for at least twelve months and has a net worth on a consolidated basis of at least \$10,000,000 as determined by the entity's most recent audited financial statements (which must be dated within 16 months of the transaction in the securities offered); (2) any entity which has been granted exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986, having total endowment or trust funds of \$5,000,000 or more according to its most recent audited financial statements (which must be dated within 16 months of the transaction in the securities offered); (3) any wholly-owned subsidiary of a bank, savings institution, insurance company or investment company as defined in the Investment Company Act of 1940; (4) any other entity or person, other than a natural person, which the Administrator specifies as having sufficient expertise and financial strength to bear the risks of purchasing unregistered securities. The Administrator has also indicated that "no action" would be taken with respect to sales to Qualified Institutional Buyers, as defined in Rule 144A under the U.S. Securities Act.
- (11) The term institutional buyer has been defined by the Commissioner of Securities to include: a corporation, business trust, partnership, limited liability company, limited liability partnership or wholly owned subsidiary of any of the aforementioned entities or an entity which has been granted exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, which has been operating on a continuing basis for at least twelve months and which has a net worth of at least \$5,000,000, a substantial part of whose business activities consists of investing, purchasing, selling or trading in securities issued by others and whose investment decisions are made by persons who are reasonably believed by the seller to have such knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of investment; a small business investment company licensed by the United States Small Business Administration under the Small Business Investment Act of 1958, as amended; a private business development company as defined by the Investment Advisers Act of 1940, as amended; a business development company as defined in the Investment Company Act of 1940, as amended; a wholly-owned subsidiary of a bank, savings institution, insurance company, or investment company; or a qualified institutional buyer as defined in 144A(a) adopted under the U.S. Securities Act.

The following summary sets out information concerning the ability of U.S. Persons to participate in the Offer.

- If you reside in one of the following states, you may accept the Offer and receive Total Common Shares (as partial consideration under the Offer) in exchange for any Savanna Common Shares that you tender to the Offer: Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Maine, Michigan, Minnesota, Mississippi, Missouri, New Hampshire, New Mexico, New York, North Dakota, Oklahoma, South Carolina, South Dakota, Vermont and Wisconsin (each, a "**Non-restricted State**"). You are not required to be an "exempt institutional investor" to accept the Offer and receive Total Common Shares (as partial consideration) under the Offer if you reside in a Non-restricted State.
- If you reside in one of the Restricted States (as defined above on page (vi) – sixth paragraph), you may accept the Offer and receive Total Common Shares as partial consideration under the Offer for any Savanna Common Shares that you tender to the Offer, provided you are an "exempt institutional investor" under the laws of your state of residence. If you are an "exempt institutional investor" under the laws of your state of residence, and wish to tender Savanna Common Shares to the Offer, you may be required to certify your status as an "exempt institutional investor" to Total Energy and the Depositary and should contact the Information Agent or the Depositary for additional information in that regard.
- If you reside in one of the Restricted States and you are not an "exempt institutional investor" under the laws of your state of residence, you may accept the Offer, but you are not entitled to receive Total Common Shares as partial consideration for the Savanna Common Shares that you tender to the Offer. As noted under Section 6 of the Original Offer (page 27 of the Original Offer and Circular), Total Energy proposes to deliver to the Depositary, the Total Common Shares that Savanna Shareholders who are non-residents of Canada would otherwise have been entitled to receive (as partial consideration) under the Offer, but are prohibited from receiving, due to applicable securities laws (such shareholders being referred to in this document, as the "**Non-exempt Shareholders**"). The Depositary or its nominee will, as agent for the Non-exempt Shareholders, sell, or cause to be sold (through a broker in Canada and on the Toronto Stock Exchange), those Total Common Shares that would otherwise be issuable to Non-exempt Shareholders,

after the payment date for the Savanna Common Shares taken up or otherwise acquired under the Offer. After completion of such sales, the Depositary will distribute the aggregate net proceeds of sale, after expenses, commissions and applicable withholding taxes, *pro rata*, among the Non-exempt Shareholders. Any sales of Total Common Shares described above will be completed as soon as practicable after the date on which Total Energy takes up and pays for the Savanna Common Shares of Non-exempt Shareholders under the Offer and will be done in a manner intended to maximize consideration to be received from the sale of Total Common Shares and to minimize any adverse impact of the sale on the market for the Total Common Shares.

Prior to the Expiry Time, Total Energy may take additional steps to register the Total Common Shares to be issued in connection with the Offer in accordance with the securities laws of certain states in the United States. In the event that Total Energy takes any such steps, it will provide notice thereof to Savanna Shareholders as required by applicable law, including by issuing a news release at the relevant time.

### **Registration of Total Common Shares under the U.S. Securities Act to Address Rule 802 Availability**

At the time it announced its intention to make the Offer on November 23, 2016 and at the time it formally commenced the Offer on December 9, 2016, Total Energy determined that the percentage of Savanna Common Shares held by residents of the United States was less than 10% of the total number of issued and outstanding Savanna Common Shares, and accordingly that Total Energy was able to rely upon an exemption from registration available under Rule 802 (as defined in the Glossary of this document) under the U.S. Securities Act, which provides, among other things, that, in the context of an unsolicited offer, the offeror is entitled to presume that the percentage of shares subject to an offer owned by persons resident in the United States is less than 10%, if the principal trading market for the applicable shares is outside the United States and the offeror does not know or have reason to know that the level of United States ownership of the applicable securities exceeds 10%.

However, in order to facilitate the issuance of the Total Common Shares under the Offer to Savanna Shareholders in the United States and address any assertions that the exemption provided by Rule 802 is not available to Total Energy, Total Energy made the necessary filings in the United States to register, under the U.S. Securities Act, the Total Common Shares that may be distributed to U.S. holders of Savanna Common Shares under the Offer.

**If it were determined that Total Energy did not satisfy the conditions of Rule 802, certain of our activities in the United States related to the Offer could be found to be a violation of Section 5 of the U.S. Securities Act. If a violation of Section 5 were found to have occurred, each Savanna Shareholder in the United States who acquires Total Common Shares under the Offer could have the right to rescind its purchase of the Total Common Shares, meaning that Total Energy could be required to refund the purchase price of the Total Common Shares to each such purchaser who elected rescission.**

### **U.S. Auditor Independence Requirements**

During 2015, KPMG LLP ("**KPMG Canada**") provided non-audit services, with success-based fee arrangements, to Total Energy, which are prohibited under SEC independence rules. However, these services are permissible under the independence requirements of the CPA Alberta Rules of Professional Conduct applicable to the audit of a reporting issuer audit client in the Province of Alberta and the IESBA Code of Ethics for Professional Accountants. Specifically, Total Energy engaged KPMG Canada to assist in the preparation of claims under the Scientific Research and Experimental Development tax credit program of the Canada Revenue Agency ("**CRA**") for the 2012, 2013 and 2014 tax years. The fees totaling \$21,364 were earned, billed and collected in 2015.

While the fee arrangements for these services are not permitted under SEC independence rules, KPMG Canada and Total Energy's Audit Committee have concluded these matters did not affect KPMG Canada's ability to be objective and apply impartial judgment in its audit of Total Energy's 2015 financial statements.

### **Documents Forming Part of the Registration Statement**

The following documents have been filed with the SEC as part of the registration statement of which this document forms a part: (a) the Amended Letter of Transmittal; (b) the Notice of Guaranteed Delivery; (c) the documents incorporated by reference in the Original Offer and Circular; (d) a consent of KPMG LLP; (e) a consent of Bennett Jones LLP; and (f) powers of attorney from certain of Total Energy's directors.

## **CURRENCY**

Unless otherwise noted herein, all references to "\$" in this Notice of Change and Variation mean Canadian dollars.

## **NOTICE REGARDING SAVANNA INFORMATION**

Except as otherwise indicated herein, the information concerning Savanna contained in this document has been taken from, or is based upon, publicly available information filed by Savanna with various Securities Regulatory Authorities in Canada or accessible through other public sources, in each case as of March 1, 2017. As of the date of this Notice of Change and Variation, Total Energy has not had access to the non-public books and records of Savanna and Total Energy is not in a position to independently assess or verify certain of the information in Savanna's publicly filed documents, including its financial statements. Savanna has not reviewed this document and has not confirmed the accuracy and completeness of the information concerning Savanna contained herein. While Total Energy has no reason to believe that such information is inaccurate or incomplete, Total Energy has no means of verifying the accuracy or completeness of any information contained in this document that is derived from publicly available information regarding Savanna or whether there has been any failure by Savanna to disclose events or facts that may have occurred or may affect the significance or accuracy of any such information. Neither Total Energy, nor any of the directors or officers of Total Energy, assumes any responsibility for the accuracy or completeness of such information or any failure by Savanna to disclose events or facts that may have occurred or which may affect the significance or accuracy of any such information, but which are unknown to Total Energy or such Persons. See Section 28 of the Original Circular, "Risk Factors – Risk Factors Related to the Offer and the Offeror".

## FORWARD-LOOKING STATEMENTS

This Notice of Change and Variation, the Original Offer and Circular and certain documents incorporated by reference in the Original Offer and Circular contain forward-looking information ("**forward-looking information**" or "**forward-looking statements**") within the meaning of applicable Canadian Securities Laws. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "plan", "intend", "objective", "scheduled", "continuous", "ongoing", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future events, circumstances, results or outcomes. In particular, this document, the Original Offer and Circular and certain documents incorporated by reference in the Original Offer and Circular contain forward-looking information relating to the Offer, Total Energy and Savanna (and their respective Affiliates), and other statements that are not historical facts. Furthermore, certain statements made in this Notice of Change and Variation, the Original Offer and Circular and the various documents incorporated by reference in the Original Offer and Circular, including, without limitation, those relating to the tax treatment of Savanna Shareholders, the satisfaction of the conditions of the Offer, the anticipated successful completion of the Offer, the number of Total Common Shares expected to be issued under the Offer, the source of the cash portion of the consideration payable under the Offer, the manners in which Total Energy may repay amounts drawn under its credit facility, the process and timing for obtaining the Required Regulatory Approvals applicable to the Offer and other approvals, the expected Expiry Time, the estimated expenses of the Offer, the anticipated market capitalization of the combined entity upon completion of the Offer, the completion of a Compulsory Acquisition or a Subsequent Acquisition Transaction, the anticipated effect of the Offer, Total Energy's plans for Savanna if the Offer is successful, expected benefits to Savanna Shareholders of tendering Savanna Common Shares to the Offer, Total Energy's dividend policy and expectations concerning the payment of a Q1 2017 dividend on the Total Common Shares, Savanna Shareholders' entitlement to dividends and the timing thereof, Total Energy's capitalization strength following successful completion of the Offer, Total Energy's compliance with applicable Laws in connection with the Offer, the process for, and sale of, any Total Common Shares received by Non-exempt Shareholders under the Offer, Total Energy's application for, and receipt of, exemptive relief from applicable Securities Regulatory Authorities in Canada, the timing for the take-up and payment of Savanna Common Shares validly tendered under the Offer, the various economies and efficiencies that may be achieved by the combined entity upon successful completion of the Offer, the impact of change of control provisions contained in the Savanna Senior Notes and the AIMCo Debt Facility on the combined entity if the Offer is successfully completed, the ability of Total Energy to obtain Replacement Financing, and other statements that are not historical facts, are also forward-looking statements. All such forward-looking statements are subject to important risks, uncertainties and assumptions described in this Notice of Change and Variation, the Original Offer and Circular and certain documents incorporated by reference in the Original Offer and Circular. It is important to know that:

- unless otherwise indicated, forward-looking statements in the Original Offer and Circular (including documents incorporated by reference therein) and in this Notice of Change and Variation describe Total Energy's expectations as of the dates specified in the applicable document and are expressly qualified by the statements made therein and, accordingly, are subject to change after such dates;
- Total Energy's actual results and future events, circumstances and outcomes could differ materially from those expressed or implied in the forward-looking statements, if known or unknown risks affect the business of Total Energy or Savanna (or both), or if Total Energy's estimates or assumptions turn out to be inaccurate. **As a result, Total Energy cannot provide any assurances that the results, events, circumstances or outcomes expressed or implied by any forward-looking statement will materialize, and accordingly, you should not place undue reliance upon the forward-looking statements contained in this Notice of Change and Variation, or in the Original Offer and Circular (including documents incorporated by reference therein) and such forward-looking statements should not be interpreted or regarded as guarantees of future results, events, circumstances or outcomes;** and
- Total Energy disclaims any intention and assumes no obligation to update or revise any forward-looking statement, even if new information becomes available, as a result of future events or for any other reason, except in accordance with applicable Canadian Securities Laws.



Forward-looking statements are based upon, among other things, the opinions and expectations of management of Total Energy as at the effective date of such statements and, in some cases, information supplied by third parties. Although Total Energy believes the opinions and expectations reflected in such forward-looking statements are based upon reasonable assumptions and that information received from third parties is reliable, it can give no assurance that those opinions and expectations will prove to have been correct. Total Energy made a number of assumptions in making forward-looking statements in this Notice of Change and Variation and the Original Offer and Circular, including the documents incorporated by reference in the Original Offer and Circular. In particular, in making forward-looking statements in this Notice of Change and Variation and in the Original Offer and Circular, Total Energy has assumed, among other things, that Total Energy will receive the Required Regulatory Approvals applicable to the Offer on the timelines and in the manner currently anticipated and that the other conditions to the Offer will be satisfied on a timely basis.

Forward-looking statements are subject to certain risks and uncertainties that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. In addition to specific risk factors noted in this Notice of Change and Variation and in the Original Offer and Circular (including documents incorporated by reference therein), these risks and uncertainties include, but are not limited to, such things as changes in general economic conditions in Canada, the United States and elsewhere, changes in operating conditions (including as a result of weather patterns), the volatility of prices for oil and natural gas and other commodities, commodity supply and demand, fluctuations in currency and interest rates, availability of financial resources or third-party financing, availability of equipment, materials and personnel, defaults by counterparties under commercial arrangements to which Total Energy or Savanna (or any of their respective Affiliates) is a party, an inability to procure regulatory approvals in a timely manner or on terms satisfactory to Total Energy, and new laws and regulations (domestic and foreign). Risks relating specifically to Total Energy's ability to realize perceived benefits from the proposed combination of Total Energy and Savanna include, but are not limited to: Total Energy's inability to successfully integrate the operations of Total Energy and Savanna following completion of the Offer, Total Energy's inability to retain key Savanna employees following completion of the Offer, Total Energy's inability to repay or refinance amounts that it may draw under its credit facility (to finance a portion of the cash consideration payable under the Offer) subsequent to completion of the Offer on terms acceptable to Total Energy or at all, Total Energy's inability to negotiate early termination of Savanna office and operating location leases on terms satisfactory to Total Energy following completion of the Offer in cases (if any) where those leases have lengthy terms, the exercise by AIMCo of any change of control rights or creditor rights under the terms of the AIMCo Debt Facility, the exercise by the holders of Savanna Senior Notes of any change of control rights or creditor rights under the terms of the Savanna Senior Notes and Total Energy's inability to procure financing to fund repayment of amounts outstanding under the AIMCo Debt Facility or the purchase of the Savanna Senior Notes (or both), if required. Additional risks to which Total Energy is exposed in the conduct of its business are set out under the heading "Risk Factors" in the AIF, and under the heading "Risk Factors" in the Annual MD&A and Interim MD&A, each of which has been incorporated by reference in the Original Offer and Circular, has been filed with various Securities Regulatory Authorities in Canada and is available under Total Energy's profile through the SEDAR website at [www.sedar.com](http://www.sedar.com). **Accordingly, readers should not place undue reliance upon the forward-looking statements contained in this document, the Original Offer and Circular or any documents incorporated by reference in the Original Offer and Circular and such forward-looking statements should not be interpreted or regarded as guarantees of future results, events or outcomes.**

Forward-looking information respecting the Offer, various terms of the Offer and the anticipated timing of certain steps or events associated with the Offer is based upon various assumptions and factors, including publicly reported financial information concerning Savanna, publicly reported information concerning the number of outstanding Savanna Common Shares and the number of options and other convertible or exchangeable rights and securities issued or granted by Savanna (entitling holders thereof to acquire Savanna Common Shares), advice from professional advisors with respect to statutorily mandated time frames for various applications and steps/events associated with the Offer, the liquidity of the Total Common Shares following completion of the Offer, that Savanna has made full and accurate disclosure of all material information concerning Savanna in accordance with applicable Canadian Securities Laws (including disclosure of all material contracts and existing and potential contingent liabilities) and that there have been no material changes in the business, affairs, capital, prospects or assets of Savanna since September 30, 2016, except as announced by Savanna on November 22, 2016, November 28, 2016, December 13, 2016, December 23, 2016 and January 10, 2017. Forward-looking information concerning possible synergies and efficiencies that may be achieved upon a combination of the businesses of Total Energy and Savanna

and other benefits of a combination of the businesses of Total Energy and Savanna is based upon various assumptions and factors, including (in addition to assumptions and factors noted above and elsewhere in this document and in the Original Offer and Circular), financial information of Savanna available through publicly filed documents and Total Energy's general industry knowledge and experience. Forward-looking information concerning the anticipated market capitalization of Total Energy following successful completion of the Offer is based upon various assumptions and factors including the current market capitalization of both Total Energy and Savanna, the number of Total Common Shares issuable under the Offer, advice from Total Energy's financial advisor, the absence of market disruptions that would affect the trading price of the Total Common Shares and the absence of material adverse changes or developments affecting Total Energy or Savanna.

Additional risk factors could cause actual results or events to differ materially from the results or outcomes expressed or implied by the forward-looking statements in this Notice of Change and Variation, the Original Offer and Circular and various documents incorporated by reference in the Original Offer and Circular. For a discussion regarding such risks, see, in particular, the sections of the Original Circular entitled "Purpose of the Offer and Plans for Savanna", "Certain Information Concerning Securities of the Offeror", "Regulatory Matters" and "Risk Factors" (to be read in conjunction with the additional risk factor disclosure in this Notice of Change and Variation), as well as the information contained under the heading "Risk Factors" in each of the AIF, Annual MD&A and Interim MD&A, incorporated by reference in the Original Offer and Circular.

Total Energy cautions you that the risks described or referenced in this section are not the only ones that could affect the Offer or Total Energy. Additional risks and uncertainties not presently known by Total Energy or that Total Energy currently believes are not material may also materially and adversely affect the receipt of the Required Regulatory Approvals, the satisfaction or waiver by Total Energy of any of the conditions of the Offer, the successful completion of the Offer or the business, operations, financial condition, financial performance, cash flows, reputation or prospects of Total Energy. Except as otherwise indicated by Total Energy, forward-looking statements do not reflect the potential impact of any special initiatives or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur in the future. The financial impact of any such special initiatives or transactions may be complex and will depend on the facts particular to each of them. Total Energy, therefore, cannot describe the expected effects in a meaningful way or in the same way it presents known risks affecting its business. Forward-looking statements are presented herein for the purpose of providing information about Total Energy and the Offer and its anticipated impacts.

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## NOTICE OF CHANGE AND VARIATION

*This Notice of Change and Variation, among other things: (i) amends certain terms of the Original Offer (including to increase the consideration payable for Savanna Common Shares taken-up under the Offer); (ii) updates certain information set out in the Original Offer and Circular; and (iii) supplements information set out in the Original Offer and Circular. Readers should note that none of the amendments to the terms of the Offer set out in this document affects the number of Total Common Shares expected to be distributed in exchange for Savanna Common Shares tendered to the Offer or any of the conditions to the Offer. The amendments to the terms of the Offer set out in this document are being made to: (a) increase the consideration payable under the Offer to 0.1300 of a Total Common Share and \$0.20 in cash per Savanna Common Share; and (b) ensure technical compliance of the Offer with applicable Canadian Securities Laws.*

*Except as otherwise set out in this Notice of Change and Variation, the information, terms and conditions set out in the Original Offer and Circular and the Letter of Transmittal continue to be applicable in all respects and this Notice of Change and Variation should be read in conjunction with the Original Offer and Circular and the Letter of Transmittal.*

March 1, 2017

### **TO: THE HOLDERS OF COMMON SHARES OF SAVANNA**

Total Energy has amended the Offer by increasing the consideration payable for each Savanna Common Share with the addition of \$0.20 in cash for each Savanna Common Share taken-up under the Offer. See Section 1, entitled "Increase to the Offer Consideration", below for particulars of the amendment to the Offer.

Section 2 of this Notice of Change and Variation addresses certain misleading or incorrect statements made by Savanna in the Directors' Circular and supplements information set out in the Original Offer and Circular (including to provide additional context for the Offer and respond to certain assertions made by Savanna in the Directors' Circular).

Section 3 of this Notice of Change and Variation responds to certain statements made by Savanna in the section of the Directors' Circular entitled "Errors, Misleading Statements and Breach of Laws by Total", sets out certain other amendments to the Original Offer and Circular and provides updated and supplemental information.

#### **1. Increase to the Offer Consideration**

Total Energy has amended the Offer by increasing the consideration payable for each Savanna Common Share taken-up under the Offer with the addition of \$0.20 in cash for each such Savanna Common Share. The effective date of the amendments to the Offer described in this Notice of Change and Variation is February 28, 2017.

**All Savanna Shareholders who deposit their Savanna Common Shares to the Offer will receive the increased consideration per Savanna Common Share, including those Savanna Shareholders who have already validly deposited (and not withdrawn) their Savanna Common Shares under the Offer. Savanna Shareholders who have validly deposited under the Offer and not withdrawn their Savanna Common Shares need take no further action to accept the Offer, unless a Savanna Shareholder that is an Eligible Holder wishes to utilize the tax election procedure allowed for in the Amended Letter of Transmittal, in which case, an Amended Letter of Transmittal (duly completed to include the tax election) is required to be submitted by such Savanna Shareholder to the Depository. Failure to provide the Depository with an Amended Letter of Transmittal will prevent a Savanna Shareholder that is an Eligible Holder from making the tax election allowed for in the Amended Letter of Transmittal.**

**Savanna Shareholders who have already validly deposited (and not withdrawn) their Savanna Common Shares under the Offer and who do not submit an Amended Letter of Transmittal to the Depository will be considered to have disposed of a portion of such Savanna Common Shares for Total Common Shares and to have disposed of the remaining portion of such Savanna Common Shares for cash in the proportions**

described under the heading "Offer Consideration" on page 4 of the Amended Letter of Transmittal. See Section 1 of this Notice of Change and Variation, entitled "Increase to the Offer Consideration" under the subheading "Tax Considerations – Canada – Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Disposition of Savanna Common Shares Pursuant to the Offer – Disposition of Savanna Common Shares Where No Indication to Make a Subsection 85(1) Tax Election".

#### *Background to the Amendment*

At various times since early January 2017, Total Energy has signaled a willingness, and has attempted, to engage with Savanna to effect a merger of the two organizations on a cooperative basis.

During the course of an interview on the Business News Network on January 11, 2017, in response to an inquiry as to whether Total Energy would entertain an increase in the consideration offered to Savanna Shareholders under the Offer, Mr. Halyk noted that cooperation and support from Savanna with respect to the Offer would be of value to Total Energy, as it would provide an enhanced degree of deal certainty and facilitate the timely and effective integration of Savanna's operations with Total Energy's operations.

In early February 2017, Total Energy initiated a series of discussions between the financial advisors to Savanna and itself. These discussions resulted in Savanna providing Total Energy with a form of confidentiality agreement, on February 8, 2017, which Savanna required Total Energy to execute as a prerequisite to an exchange of information and participation by Total Energy in Savanna's strategic alternative review process. However, the terms and conditions of that confidentiality agreement were incompatible with the Offer and therefore Total Energy could not execute the agreement. (For example, the form of confidentiality agreement provided on behalf of Savanna included a "standstill" provision, which would have imposed restrictions on the ability of the Total Board to amend or vary the Offer if Total Energy had signed the agreement.) Savanna's financial advisor was advised of and acknowledged Total Energy's concerns and inability to execute the confidentiality agreement put forward by Savanna. Notwithstanding this impasse, Total Energy proposed a path to cooperative engagement, that eliminated the need to review confidential, non-public information, to Savanna (through its financial advisor, Peters & Co. Limited) in a letter dated February 13, 2017. Notwithstanding those overtures, Total Energy has received no feedback from Savanna to the date hereof and Savanna has not, to the knowledge of Total Energy, provided its shareholders with any recent updates concerning the strategic alternative review process initiated by Savanna in December 2016.

The absence of a superior alternative to date despite the ample time Savanna has had to explore strategic alternatives reinforces Total Energy's belief that the Offer represents a compelling opportunity for Savanna Shareholders. The recent trading price of Savanna Shares also supports such belief. However, to provide a higher degree of certainty that Total Energy's Offer will be successful, the Total Board determined (on Tuesday, February 28, 2017) to increase the consideration offered to Savanna Shareholders.

#### *Amendments to the Offer and Circular*

**To the extent not otherwise set out in this document, the Original Offer and Circular, the Letter of Transmittal that accompanied the Original Offer and the Notice of Guaranteed Delivery are deemed to be amended as of the date hereof to give effect to the amendments to the Original Offer described in this document. Except as otherwise set out in or amended by this Notice of Change and Variation, the terms and conditions of the Original Offer and the information in the Original Offer and Circular, the Letter of Transmittal that accompanied the Original Offer (as read in conjunction with the Amended Letter of Transmittal) and the Notice of Guaranteed Delivery continue to be applicable in all respects.**

(a) The text of the second paragraph of Section 1 of the Original Offer, entitled "The Offer" (which paragraph appears on page 15 of the Original Offer and Circular) is deleted in its entirety and replaced by the following:

Following acceptance of the Offer, each Common Shareholder whose Savanna Common Shares are taken up by the Offeror will be entitled to receive, in respect of his/her/its Savanna Common Shares, 0.1300 of an Offeror Common Share and \$0.20 in cash, in exchange for each Savanna Common Share. The Offeror has

submitted an application to list, on the TSX, the Offeror Common Shares that may be distributed to Common Shareholders in connection with the Offer. Listing of the Offeror Common Shares will be subject to the Offeror fulfilling all of the applicable listing requirements of the TSX.

(b) The text of Section 3 of the Original Offer, entitled "Manner of Acceptance", is amended by deleting the second paragraph under the subheading "Dividends and Distributions; Liens" (which paragraph appears on page 20 of the Original Offer and Circular) and by substituting therefor the following:

If, notwithstanding such assignment, any Distributions are received by or made payable to or to the order of a Common Shareholder, then: (a) the Offeror will be entitled to all rights and privileges as the owner of any such Distribution and such Distribution shall be received and held by such Common Shareholder for the account of the Offeror and shall be promptly remitted and transferred by the Common Shareholder to the Depository for the account of the Offeror, accompanied by appropriate documentation of transfer (in form and substance satisfactory to the Offeror); or (b) in its sole discretion, the Offeror may, in lieu of such remittance or transfer, reduce the amount of the consideration payable to such Common Shareholder under the Offer by deducting (i) the applicable amount from the cash portion of the consideration payable to the Common Shareholder (which may be the entire cash portion of such consideration); or (ii) from the number of Offeror Common Shares otherwise issuable by the Offeror to the Common Shareholder pursuant to the Offer a number of Offeror Common Shares equal in value to the amount or value of such Distribution, as determined by the Offeror, in its sole discretion (or a combination thereof, as determined by the Offeror, in its sole discretion).

(c) The text of Section 3 of the Offer, entitled "Manner of Acceptance", is further amended by adding the following at the end of the first sentence of the last paragraph under the subheading "Dividends and Distributions; Liens" (which paragraph appears on page 20 of the Original Offer and Circular): "or in any subsequent disclosure of Canadian or United States federal income tax considerations applicable to the Offer as the Offeror may provide from time to time".

(d) The text of Section 6 of the Original Offer, entitled "Take-Up and Payment for Deposited Savanna Common Shares" (which appears on pages 26 and 27 of the Original Offer and Circular) is deleted in its entirety and replaced by the following:

*Take-Up and Payment for Deposited Savanna Common Shares*

Upon the terms and subject to the satisfaction or waiver by the Offeror of conditions of the Offer (specified in Section 4 of this Offer, "Conditions of the Offer"), the Offeror will take up Savanna Common Shares validly tendered to the Offer and not withdrawn pursuant to Section 8 of this Offer, "Right to Withdraw Deposited Savanna Common Shares", immediately after the Expiry Time and will pay for the Savanna Common Shares taken up as soon as possible, but in any event not later than three (3) Business Days after taking up the Savanna Common Shares. Any Savanna Common Shares tendered to the Offer after the first date on which Savanna Common Shares have been taken up by the Offeror will be taken up and paid for not later than ten (10) calendar days after such tender. See also Section 5 of this Offer, "Acceleration, Extension and Variation of the Offer – Mandatory Extension Period".

Subject to applicable Law, the Offeror expressly reserves the right, in its sole discretion, to delay taking up and paying for any Savanna Common Shares or to terminate the Offer and not take up or pay for any Savanna Common Shares under the Offer if any condition specified in Section 4 of this Offer, "Conditions of the Offer" is not satisfied or waived by the Offeror, by giving written notice thereof (or other communication confirmed in writing) to the Depository at its principal office in Calgary, Alberta or Toronto, Ontario. 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 Savanna Common Shares in order to comply, in whole or in part, with any Law.

For the purposes of the Offer, the Offeror will be deemed to have taken up and accepted for payment Savanna Common Shares validly tendered and not validly withdrawn pursuant to the Offer if, as and when the Offeror gives written notice (or other communication confirmed in writing) to the Depository of its

acceptance for payment of such Deposited Savanna Common Shares under the Offer at the principal office of the Depositary in Calgary, Alberta or Toronto, Ontario.

The Offeror will pay for Savanna Common Shares validly tendered to the Offer and not withdrawn by delivering to the Depositary the requisite number of Total Common Shares and sufficient funds (by bank transfer or other means satisfactory to the Depositary) for transmittal to depositing Savanna Shareholders. Under no circumstances will interest accrue or be paid by the Offeror or the Depositary to Persons who deposit Savanna Common Shares under the Offer, regardless of any delay in making payment for those shares. No physical certificate(s) for Total Common Shares (forming part of the consideration for Savanna Common Shares taken-up under the Offer) will be issued to Savanna Shareholders. A Direct Registration System statement (a "**DRS Statement**") will be delivered by the Depositary evidencing the electronic registration of the Total Common Shares that will be held in the name of the applicable Savanna Shareholders.

The Depositary will act as the agent of the Persons who have tendered Savanna Common Shares to the Offer for the purposes of receiving payment under the Offer and transmitting that payment to such Persons, and receipt of payment by the Depositary will be deemed to constitute receipt of payment by those Persons who have properly deposited Savanna Common Shares under the Offer.

All cash payments under the Offer are stated and will be made in Canadian dollars.

Settlement with each Savanna Shareholder who has validly tendered and not validly withdrawn Savanna Common Shares under the Offer will be made upon the Depositary forwarding to such Savanna Shareholder: (i) the DRS Statement(s) for the Total Common Shares to which such Savanna Shareholder is entitled; and (ii) a cheque, payable in Canadian funds, in the amount to which the person depositing the Savanna Common Shares is entitled under the Offer.

Subject to the foregoing and unless otherwise directed by the applicable Letter of Transmittal, the DRS Statement(s) and cheque will be issued in the name of the registered Savanna Shareholder of the Savanna Common Shares so tendered. Unless the Person depositing the Savanna Common Shares instructs the Depositary to hold the DRS Statement(s) representing the Total Common Shares and the cheque for pick-up by checking the appropriate box in the Letter of Transmittal, the DRS Statement(s) and cheque will be forwarded by first class insured mail to such Person at the address specified in the Letter of Transmittal. If no such address is specified, the DRS Statement(s) and cheque will be sent to the address of the Savanna Shareholder as shown on the list of Savanna Shareholders provided by the Company to the Offeror. DRS Statements and cheques that are mailed in accordance with this paragraph will be deemed to be delivered at the time of mailing. Under applicable Law, the Offeror may, in certain circumstances, be required to make withholdings from the amount otherwise payable to a Savanna Shareholder.

Notwithstanding any other provision of this Offer, no Total Common Shares will be delivered (as partial consideration for Savanna Common Shares) to any Person who is, or appears to the Offeror or the Depositary to be, a resident of any other foreign country unless such Total Common Shares may be lawfully delivered to Persons resident in such foreign country without further action by the Offeror. If the Total Common Shares cannot be lawfully delivered to a Person resident in a foreign country without further action, such Total Common Shares will be delivered by the Depositary to a broker retained for the purpose of effecting a sale on behalf of such Person.

**Savanna Shareholders who wish to accept the Offer will not be required to pay any fee or commission if they tender their Savanna Common Shares directly to the Depositary.**

(e) The text of Section 10 of the Original Offer, entitled "Mail Service Interruption" (which appears on page 30 of the Original Offer and Circular) is deleted in its entirety and replaced by the following:

Notwithstanding the provisions of the Offer, the Circular, the Letter of Transmittal or the Notice of Guaranteed Delivery, any relevant documents or cheques will not be mailed if the Offeror determines that

delivery thereof by mail may be delayed. Persons entitled to such relevant documents or cheques that are not mailed for the foregoing reason may take delivery thereof at the office of the Depositary in Calgary, Alberta or Toronto, Ontario until such time as the Offeror has determined that delivery by mail will no longer be delayed. Notwithstanding the provisions set out under Section 6 of this Offer, "Take-Up and Payment for Deposited Savanna Common Shares", any relevant documents or cheques not mailed for the foregoing reason will be conclusively deemed to have been delivered upon being made available for delivery to the depositing Savanna Shareholder at the office of the Depositary in Calgary, Alberta or Toronto, Ontario. Notice of any determination regarding mail service delay or interruption made by the Offeror will be given in accordance with the provisions set out under Section 9 of this Offer, "Notice and Delivery".

- (f) The text of Section 14 of the Original Offer, entitled "Other Terms of the Offer" is amended by deleting the seventh paragraph thereof (which paragraph appears on page 33 of the Original Offer and Circular) and by substituting therefor the following:

The provisions of the Glossary, Frequently Asked Questions, the Summary, the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery accompanying the Offer (as any such provisions may be updated by any subsequent disclosure made by the Offeror in relation to thereto), including the instructions contained therein, are incorporated into and form part of the terms and conditions of the Offer.

- (g) The text of the definition of "Letter of Transmittal" in the Glossary section of the Original Offer and Circular is deleted and replaced by the following:

**"Letter of Transmittal"** means the letter of transmittal in the applicable form accompanying the Offer and Circular or any subsequent form of letter of transmittal provided by or on behalf of the Offeror, as applicable.

- (h) The text of the definition of "AIF " in the Glossary section of the Original Offer and Circular is deleted and replaced by the following:

**"AIF"** means the Total Energy annual information form dated March 10, 2016 for the year ended December 31, 2015, and, upon a new annual information form being filed by Total Energy, such new annual information form.

- (i) The text of the definition of "Annual MD&A" in the Glossary section of the Original Offer and Circular is deleted and replaced by the following:

**"Annual MD&A"** means Total Energy's management's discussion and analysis of results of operations and financial condition for the year ended December 31, 2015, and, upon a new management's discussion and analysis relating to annual financial statements being filed by Total Energy, such new management's discussion and analysis.

### **Updated Disclosure Resulting from the Increase to the Offer Consideration**

The amendments to the Offer described above in this Section 1 affect certain disclosure made by Total Energy in the Original Offer and Circular, and Total Energy wishes to provide updated disclosure and supplemental information in respect of certain portions of the Original Offer and Circular, as set out below in this Section.

#### *Total Energy's Anticipated Q1 2017 Dividend*

The disclosure set out in the Original Offer and Circular (on cover page (ii), pages 4 and 16 and in the fourth sentence of the first paragraph on page 43) respecting participation, by holders of Savanna Common Shares who accept the Offer prior to the initial deposit period thereunder, in any Q1 2017 dividend declared by the directors of Total Energy is updated as follows:



If a Savanna Shareholder tenders his/her/its Savanna Common Shares to the Offer prior to the expiry of the initial deposit period thereunder, such Savanna Common Shares are not withdrawn from the Offer and are taken up and paid for by Total Energy prior to March 31, 2017, Total Energy anticipates that the Savanna Shareholder will, in respect of Total Common Shares received under the Offer, be entitled to participate in any Q1 2017 dividend declared by the directors of Total Energy (as the record date for such dividend is expected to be March 31, 2017).

#### *Offer Premium*

The disclosure set out in the Original Offer and Circular (on cover pages (ii)-(iii), pages 6, 8, 15 and pages 37-38) respecting the premium associated with the Offer consideration, is updated as follows:

The Offer now contemplates the payment of cash consideration in the amount of \$0.20 for each Savanna Common Share tendered to the Offer (in addition to 0.1300 of a Total Common Share, as set out in the Original Offer), which increases the value of the Offer to holders of Savanna Common Shares and the premium that the consideration offered by Total Energy represents when compared to the \$1.45 per share price at which Savanna Common Shares were issued in connection with the Highly Dilutive Refinancing.

Based upon the volume weighted average price of the Total Common Shares for the five trading days following November 23, 2016 (\$13.40 per share), the date Total Energy announced its intention to make the Offer, the 0.1300 exchange ratio and after taking into account the additional cash consideration payable under the Offer, the Offer consideration represents an implied Savanna Common Share price of \$1.94. This equates to a 34% premium to the \$1.45 Savanna Common Share price associated with the Highly Dilutive Refinancing.

#### *Frequently Asked Questions*

The disclosure set out in the Original Offer and Circular in the section entitled "Frequently Asked Questions", in response to the question "What will I receive in exchange for Savanna Common Shares that I tender to the Offer?", is updated as follows:

Following acceptance of the Offer, each Savanna Shareholder whose Savanna Common Shares are taken up and paid for by Total Energy, will be entitled to receive 0.1300 of a common share of Total Energy and \$0.20 in cash for each Savanna Common Share.

#### *Pro Forma Financial Statements*

Annex A to this Notice of Change and Variation contains revised updated unaudited pro-forma consolidated financial statements (the "**Updated Pro-Formas**") that give effect to the Highly Dilutive Refinancing and which have been updated to: (i) reflect the increase in the consideration offered by Total Energy; and (ii) provide additional detail relating to certain expenses, including updated change of control payments that may become owing to Savanna personnel in the event the Offer is successful. See Annex A and Section 3 "Variations and Amendments to the Original Offer and Circular and Supplemental Information – Additional Amendments to the Original Offer and Circular".

#### *Source of Funds*

Total Energy's obligation to purchase the Savanna Common Shares deposited under the Offer and pay for Savanna Common Shares taken-up under the Offer **is not subject to any financing condition**.

Total Energy estimates that, if it acquires all of the issued and outstanding Savanna Common Shares (calculated on a fully-diluted basis), the total cash amount required to pay the cash portion of the consideration under the Offer will be approximately \$24.4 million.

Total Energy intends to fund the cash portion of the consideration payable for Savanna Common Shares taken-up under the Offer with cash on hand and funds available under Total Energy's existing credit facility.

Total Energy has a \$65 million revolving credit facility with HSBC that was recently renewed to February 17, 2019. Repayment of amounts drawn on the credit facility are not required until February 2019 in the event such facility is not subsequently renewed. The credit facility bears interest at the lender's prime rate plus 0.40% and is secured by Total Energy's cash and cash equivalents, accounts receivable and inventory. As at February 27, 2017, the credit facility was undrawn and available to the extent of \$62.5 million based on the prescribed margin requirements at that time (being 85% of investment grade accounts receivable plus, without duplication, 75% of non-investment grade accounts receivable that are outstanding for less than 90 days plus 50% of materials inventory (up to a maximum of \$32.5 million) less priority claims and \$2.5 million of outstanding letters of credit).

Total Energy expects that it will, at the applicable times, repay amounts drawn under the credit facility using cash on hand, cash flow from operations or proceeds from the sale of marketable securities.

#### *Fractional Shares*

The disclosure set out in the Original Offer and Circular (on pages 6, 15 and 40) with respect to the treatment of fractional shares is updated as follows:

In no event will any Savanna Shareholder be entitled to a fractional Total Common Share. Where the aggregate number of Total Common Shares to be issued to a Savanna Shareholder as partial consideration under the Offer would result in a fraction of a Total Common share being issuable, the number of Total Common Shares to be received by such Savanna Shareholder will either be rounded up (if the fractional interest is equal to or exceeds 0.5) or down (if the fractional interest is less than 0.5) to the nearest whole Total Common Share.

#### *Reasons to Accept the Offer*

The disclosure set out in the Original Offer and Circular (on pages 7-9 and 36-39) respecting the reasons for Savanna Shareholders to accept the Offer, is updated to include the following:

**Cash Consideration.** The Offer now contemplates the payment of cash consideration in the amount of \$0.20 for each Savanna Common Share tendered to the Offer (in addition to 0.1300 of a Total Common Share, as set out in the Original Offer), which increases the value of the Offer to holders of Savanna Common Shares and the premium that the consideration offered by Total Energy represents when compared to the \$1.45 per share price at which Savanna Common Shares were issued in connection with the Highly Dilutive Refinancing.

**Strong Pro Forma Balance Sheet.** Given Total Energy's limited debt, unencumbered capital asset base and significant undrawn amounts remaining on its credit facility following completion of the Offer, the Offer will provide Common Shareholders exposure to a well-capitalized energy services business with no liquidity concerns.

#### *Consolidated Capitalization*

The disclosure set out in the Original Offer and Circular in Section 11, entitled "Certain Information Concerning Securities of the Offeror – Consolidated Capitalization", is updated as follows:

The following table sets out information concerning the consolidated capitalization of Total Energy as at September 30, 2016, before and after giving effect to the issuance by Total Energy of the Total Common Shares as consideration under the Offer. This table should be read in conjunction with: (a) Total Energy's unaudited consolidated interim financial statements for the three and nine month periods ended September 30, 2016 and 2015 and Interim MD&A incorporated herein by reference; and (b) the unaudited pro forma consolidated statement of financial position of Total Energy as at September 30, 2016 and the unaudited

pro forma consolidated statements of comprehensive loss of Total Energy for the nine-month period ended September 30, 2016 and the year ended December 31, 2015 attached hereto as Annex A.

	<b>As at September 30, 2016</b>	
	<b>(\$ millions)</b>	
	<b>Reported</b>	<b>As adjusted after giving effect to the Offer<sup>(1)</sup></b>
Debt due within one year (including capital leases).....	3.4	5.5
Long-term debt (including capital leases) .....	46.7	304.1
Total short-term and long-term debt.....	50.1	309.6
Equity attributable to shareholders of Total Energy:		
Common Shares .....	88.7	326.3
Contributed Surplus .....	7.9	7.9
Retained Earnings .....	273.2	271.4
Accumulated other comprehensive income.....	-	-
Non-controlling interest .....	-	9.9

**Notes:**

- (1) Reflects the completion of the Highly Dilutive Refinancing and the increased Offer consideration.
- (2) Assumes acquisition of 100% of the outstanding Savanna Common Shares.

*Tax Considerations*

Holders of Savanna Common Shares resident in a jurisdiction other than Canada or the United States should be aware that the disposition of Savanna Common Shares in connection with the Offer may have tax consequences in jurisdictions other than Canada and the United States, which are not described in the Original Offer and Circular or this Notice of Change and Variation. Accordingly, holders of Savanna Common Shares resident outside Canada and the United States should consult their own tax advisors with respect to the tax considerations applicable to them.

The disclosure set out on pages 9 and 39 of the Original Offer and Circular, respecting opportunities to defer Canadian taxation on capital gains should be read subject to the updated disclosure set out in this Notice of Change and Variation under the heading "Certain Canadian Federal Income Tax Considerations", starting on page 10.

*Tax Considerations – Canada*

The disclosure set out in the Original Offer and Circular in the section entitled "Frequently Asked Questions", in response to the question "What are the Canadian federal income tax consequences of accepting the Offer?", is updated as follows:

The Offer has been structured so that each Savanna Shareholder who accepts the Offer will automatically be considered to have disposed of a portion of such Savanna Shareholder's Savanna Common Shares for Total Common Shares and to have disposed of the balance of such Savanna Common Shares for cash.

Subject to the qualifications set out in the Original Circular and this Notice of Change and Variation, if a Savanna Shareholder is a resident of Canada, holds Savanna Common Shares as capital property, and sells Savanna Common Shares under the Offer, the Savanna Shareholder will generally qualify for a tax-deferred "rollover" pursuant to subsection 85.1(1) of the Tax Act with respect to that portion of the Savanna Shareholder's Savanna Common Shares which are disposed of in exchange for Total Common Shares. The disposition of the remaining portion of such Savanna Shareholder's Savanna Common Shares in exchange for cash will constitute a taxable disposition of such Savanna Common Shares and will generally give rise to a capital gain (or a capital loss) to the extent that the cash received for the shares exceeds (or is less than) the aggregate of the adjusted cost base of such shares and any reasonable costs associated with the disposition.

A Savanna Shareholder that is a resident of Canada and that is not exempt from Canadian tax under the Tax Act may elect to opt out of this automatic allocation of consideration and the potential tax deferred

"rollover" treatment available under subsection 85.1(1) of the Tax Act by making a joint tax election with the Offeror under subsection 85(1) of the Tax Act. If such an election is made, the Savanna Shareholder will be considered, as part of the Offer, to have disposed of all of the Savanna Shareholder's Savanna Common Shares tendered as part of the Offer as a single disposition in exchange for a combination of cash and Total Common Shares. The potential advantage of this approach and the filing of a joint tax election with the Offeror under subsection 85(1) of the Tax Act is that a Savanna Shareholder may be able to limit the amount of the capital gain which would otherwise arise on the disposition to the amount by which the cash received on the disposition exceeds the aggregate adjusted cost base of the Savanna Common Shares disposed of on the exchange, and thereby achieve a greater tax deferred "rollover".

If you are not a resident of Canada, you generally will not be subject to tax under the Tax Act on any capital gain realized on a disposition of your Savanna Common Shares under the Offer, unless your Savanna Common Shares are "taxable Canadian property".

**The foregoing is a brief summary of Canadian federal income tax consequences only and is qualified by the description of Canadian federal income tax considerations set out below in Section 1 of this Notice of Change and Variation, "Certain Canadian Federal Income Tax Considerations". Savanna Shareholders are urged to consult their own tax advisors to determine the particular tax consequences to them of a sale of Savanna Common Shares under the Offer or a disposition of Savanna Common Shares pursuant to any Compulsory Acquisition or Subsequent Acquisition Transaction.**

The disclosure set out in the Original Offer and Circular in the section entitled "Summary" (beginning at page 6), under the heading "Canadian Federal Income Tax Considerations" (found on page 12), is updated as follows:

The Offer has been structured so that each Savanna Shareholder who accepts the Offer will automatically be considered to have disposed of a portion of such Savanna Shareholder's Savanna Common Shares for Total Common Shares and to have disposed of the balance of such Savanna Common Shares for cash.

Subject to the qualifications set out in the Original Circular and this Notice of Change and Variation, if a Savanna Shareholder is a resident of Canada, holds Savanna Common Shares as capital property, and sells Savanna Common Shares under the Offer, the Savanna Shareholder will generally qualify for a tax-deferred "rollover" pursuant to subsection 85.1(1) of the Tax Act with respect to that portion of the Savanna Shareholder's Savanna Common Shares which are disposed of in exchange for Total Common Shares. The disposition of the remaining portion of such Savanna Shareholder's Savanna Common Shares in exchange for cash will constitute a taxable disposition of such Savanna Common Shares and will generally give rise to a capital gain (or a capital loss) to the extent that the cash received for the shares exceeds (or is less than) the aggregate of the adjusted cost base of such shares and any reasonable costs associated with the disposition.

A Savanna Shareholder that is a resident of Canada for income tax purposes and that is not exempt from Canadian tax under the Tax Act may elect to opt out of this automatic allocation of consideration and the potential tax deferred "rollover" treatment available under subsection 85.1(1) of the Tax Act by indicating an intention to make a joint tax election with the Offeror under subsection 85(1) of the Tax Act in the Amended Letter of Transmittal with respect to the Savanna Common Shares tendered as part of the Offer. If such an indication is made in a Savanna Shareholder's Amended Letter of Transmittal, the Savanna Shareholder will be considered, as part of the Offer, to have disposed of all of the Savanna Shareholder's Savanna Common Shares tendered as part of the Offer as a single disposition in exchange for a combination of cash and Total Common Shares. The potential advantage of this approach and the filing of a joint tax election with the Offeror under subsection 85(1) of the Tax Act is that a Savanna Shareholder may be able to limit the amount of the capital gain which would otherwise arise on the disposition to the amount by which the cash received on the disposition exceeds the aggregate adjusted cost base of the Savanna Common Shares disposed of on the exchange, and thereby achieve a greater tax deferred "rollover". Savanna Shareholders considering making such an election under subsection 85(1) of the Tax Act are urged to consult their own tax advisors to determine the Canadian tax consequences to them of the recognition of a capital gain as a result of the transfer of their Savanna Common Shares to the Offeror and

as to the advisability of making such an election. The subsection 85(1) election alternative will only be available to the extent that a Savanna Shareholder indicates an intention in the Amended Letter of Transmittal submitted on the acceptance of the Offer to have the exchange occur pursuant to subsection 85(1) of the Tax Act, and the Savanna Shareholder prepares the necessary joint tax election in the prescribed form and provides such form to the Offeror within 90 days following the Expiry Date and then files such form with the relevant taxing authorities within the prescribed time period.

If a Savanna Shareholder is not a resident of Canada, such Savanna Shareholder generally will not be subject to tax under the Tax Act on any capital gain realized on a disposition of Savanna Common Shares under the Offer, unless the Savanna Common Shares are "taxable Canadian property".

**The foregoing is a brief summary of Canadian federal income tax consequences only and is qualified by the description of Canadian federal income tax considerations set out immediately below under the heading, "Certain Canadian Federal Income Tax Considerations". Savanna Shareholders are urged to consult their own tax advisors to determine the particular tax consequences to them of a sale of Savanna Common Shares under the Offer or a disposition of Savanna Common Shares pursuant to any Compulsory Acquisition or Subsequent Acquisition Transaction.**

The disclosure set out in Section 21 of the Original Offer and Circular, entitled "Certain Canadian Federal Income Tax Considerations", is updated as follows:

#### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Bennett Jones LLP, counsel to the Offeror, the following is a summary of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) and the regulations thereunder, as amended (the "**Tax Act**"), as of the date hereof, generally applicable to a Savanna Shareholder who, for purposes of the Tax Act, holds Savanna Common Shares and will hold any Total Common Shares acquired pursuant to the Offer as capital property, deals at arm's length with the Company and the Offeror, is not affiliated with the Company or the Offeror, and who disposes of Savanna Common Shares to the Offeror pursuant to the Offer or otherwise disposes of Savanna Common Shares pursuant to certain transactions described in Section 20 of the Original Circular, "Acquisition of Savanna Common Shares Not Deposited Under the Offer" (a "**Holder**").

Savanna Common Shares and Total Common Shares generally will be considered capital property to a Holder for purposes of the Tax Act unless the Holder holds such shares in the course of carrying on a business of buying and selling securities or the Holder has acquired or holds them in a transaction or transactions considered to be an adventure or concern in the nature of trade.

This summary is based on the current provisions of the Tax Act in force as of the date hereof and counsel's understanding of the current published administrative policies and assessing practices of the CRA publicly available prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and assumes that the Tax Proposals will be enacted in the form proposed. No assurance can be given that the Tax Proposals will be enacted in the form proposed, or at all. This summary does not otherwise take into account or anticipate any other changes in law, whether by judicial, governmental or legislative decision or action or changes in the administrative policies or assessing practices of the CRA, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ materially from those described in this summary.

This summary is not applicable to Savanna Shareholders who acquired Savanna Common Shares pursuant to employee compensation plans. In addition, this summary does not apply to a Holder (a) that is a "financial institution", for the purposes of the mark-to-market rules in the Tax Act, (b) an interest in which is a "tax shelter investment", as defined in the Tax Act, (c) that is a "specified financial institution", as defined in the Tax Act, (d) that has made a "functional currency" election under section 261 of the Tax Act, (e) that has, or will, enter into, with respect to Savanna Common Shares or Total Common Shares, a "derivative forward agreement" or a "synthetic disposition arrangement", as each of those terms are defined

in the Tax Act, (f) that is exempt from tax under Part I of the Tax Act, (g) that is a partnership for Canadian tax purposes or (h) that alone or together with non-arm's length Persons control the Offeror or beneficially own shares of the Offeror having a fair market value of more than 50% of all the outstanding shares of the Offeror, immediately after the exchange of Savanna Common Shares for Total Common Shares. Such Holders should consult their own tax advisors.

Further, this summary is not applicable to a Person that: (i) is a corporation resident in Canada; and (ii) is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Total Common Shares, controlled by a non-resident corporation for the purposes of the foreign affiliate dumping rules in section 212.3 of the Tax Act. Any such Savanna Shareholder should consult its own tax advisor.

**This summary is of a general nature only and is not, and is not intended to be, nor should it be construed to be, legal or tax advice or representations to any particular Holder. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, Holders are urged to consult their own legal and tax advisors with respect to the tax consequences to them having regard to their particular circumstances, including the application and effect of the income and other tax laws of any country, province or other jurisdiction that may be applicable to the Holder.**

### **Holders Resident in Canada**

This part of the summary is applicable only to a Holder who, for purposes of the Tax Act and any applicable income tax treaty or convention and at all relevant times, is resident, or is deemed to be resident, in Canada (a "**Resident Holder**"). Certain Resident Holders whose Savanna Common Shares might not otherwise constitute capital property may be eligible to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Savanna Common Shares and every other "Canadian security" (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 taxation years, be deemed to be capital property. Resident Holders contemplating such an election should first consult their own tax advisors.

### ***Disposition of Savanna Common Shares Pursuant to the Offer***

Resident Holders who tender and deposit their Savanna Common Shares and whose Savanna Common Shares are taken up pursuant to the Offer will directly exchange their Savanna Common Shares with the Offeror for the Offer Consideration (a "**Direct Exchange**").

### ***Disposition of Savanna Common Shares Where No Indication to Make a Subsection 85(1) Tax Election***

A Resident Holder who exchanges Savanna Common Shares for the Offer Consideration in a Direct Exchange, and does not indicate an intention to make a joint tax election with the Offeror under subsection 85(1) of the Tax Act in the Amended Letter of Transmittal with respect to the Savanna Common Shares tendered as part of the Offer (as described below under the heading "Disposition of Savanna Common Shares Pursuant to subsection 85(1) Tax Election) will automatically be considered to have disposed of a portion of such Savanna Common Shares for Total Common Shares and to have disposed of the remaining portion of such Savanna Common Shares for cash.

In such circumstances, the Resident Holder will realize a capital gain (or a capital loss) in respect of that portion of the Resident Holder's Savanna Common Shares which are disposed of for cash to the extent that the amount of cash received for such Savanna Common Shares, net of any reasonable costs of disposition, exceeds (or is less than) the adjusted cost base of such Savanna Common Shares to the Resident Holder. Such capital gain (or capital loss) will be subject to the tax treatment described below under the heading "Holders Resident in Canada – Taxation of Capital Gains and Capital Losses".

In respect of the portion of a Resident Holder's Savanna Common Shares which are disposed of for Total Common Shares, the Resident Holder will be deemed to have disposed of such Savanna Common Shares

under a tax-deferred share-for-share exchange pursuant to section 85.1 of the Tax Act as described in paragraph (a) below, unless such Resident Holder chooses to recognize a capital gain (or capital loss) on the Direct Exchange as described in paragraph (b) below.

- (a) Where a Resident Holder does not choose to recognize a capital gain (or capital loss) on the exchange, the Resident Holder will be deemed to have disposed of such Savanna Common Shares for proceeds of disposition equal to the aggregate adjusted cost base of such Savanna Common Shares to the Resident Holder, determined immediately before the time at which the Savanna Common Shares are taken up by the Offeror, and the Resident Holder will be deemed to have acquired the Total Common Shares at an aggregate cost equal to the adjusted cost base of such Savanna Common Shares. This cost will be averaged with the adjusted cost base of all other Total Common Shares held by the Resident Holder as capital property for the purpose of determining the adjusted cost base of each Total Common Share held by the Resident Holder as capital property.
- (b) If a Resident Holder chooses to treat the disposition of such Savanna Common Shares as a taxable transaction, the Resident Holder will be required to recognize a capital gain (or capital loss) in respect of the exchange of such Savanna Common Shares for Total Common Shares by including the capital gain (or capital loss) in computing the Resident Holder's income for the taxation year in which the Direct Exchange takes place. In such circumstances, the Resident Holder will realize a capital gain (or a capital loss) equal to the amount, if any, by which the fair market value of the Total Common Shares received, net of any reasonable costs of disposition, exceeds (or is less than) the aggregate of the adjusted cost base of such Savanna Common Shares to the Resident Holder, determined immediately before the time at which the Savanna Common Shares are taken up by the Offeror. It is not possible for a Resident Holder to elect such treatment on a portion only of the capital gain (or loss) otherwise realized on the disposition of Savanna Common Shares. For a description of the tax treatment of capital gains and capital losses, see "Holders Resident in Canada –Taxation of Capital Gains and Capital Losses" below. The cost of the Total Common Shares acquired on the exchange will be equal to the fair market value thereof. This cost will be averaged with the adjusted cost base of all other Total Common Shares held by the Resident Holder as capital property for the purpose of determining the adjusted cost base of each Total Common Share held by the Resident Holder as capital property.

Resident Holders should review the Amended Letter of Transmittal and the Offeror's website ([www.totalenergy.ca](http://www.totalenergy.ca)) to determine the relative portions of the Resident Holder's Savanna Common Shares disposed of for cash and 0.1300 of a Total Common Share.

**Savanna Shareholders who have already validly deposited (and not withdrawn) their Savanna Common Shares under the Offer and who do not submit an Amended Letter of Transmittal to the Depository will be considered to have disposed of a portion of such Savanna Common Shares for Total Common Shares and to have disposed of the remaining portion of such Savanna Common Shares for cash in the proportions described under the heading "Offer Consideration" on page 4 of the Amended Letter of Transmittal.**

*Disposition of Savanna Common Shares Pursuant to Subsection 85(1) Tax Election*

A Resident Holder who is not exempt from Canadian tax under the Tax Act (an "**Eligible Holder**") may elect to opt out of the automatic allocation of consideration and the partial tax deferred "rollover" treatment available under subsection 85.1(1) of the Tax Act described above by indicating an intention to make a joint tax election with the Offeror under subsection 85(1) of the Tax Act in the Amended Letter of Transmittal with respect to the Savanna Common Shares tendered as part of the Offer. If such an indication is made in an Eligible Holder's Amended Letter of Transmittal, the Eligible Holder will be considered as part of the Offer to have disposed of all of the Eligible Holder's Savanna Common Shares tendered as part of the Offer as a single disposition in exchange for a combination of cash and Total Common Shares.

At the request of an Eligible Holder who has indicated an intention to make an election with the Offeror under subsection 85(1) of the Tax Act in the Eligible Holder's Amended Letter of Transmittal, the Offeror will jointly elect with the Eligible Holder under subsection 85(1) of the Tax Act (or subsection 85(2) of the Tax Act in the case of an Eligible Holder which is a partnership) so as to permit the Eligible Holder to elect proceeds of disposition for purposes of the Tax Act of the Eligible Holder's Savanna Common Shares disposed of to the Offeror (the "elected amount") within the limits specified in the Tax Act. Under the Tax Act, the elected amount may not be (a) less than the amount of cash received by the Eligible Holder in respect of such Savanna Common Shares, (b) greater than the fair market of such Savanna Common Shares at the time of the Direct Exchange, or (c) less than the lesser of (i) the fair market value of the Savanna Common Shares at the time of the Direct Exchange, or (ii) the adjusted cost base of the Savanna Common Shares to the Resident Holder at the time of the Direct Exchange. In the event of such an election, the Eligible Holder's cost of the Total Common Shares acquired to which the election relates will be the elected proceeds of disposition of the Savanna Common Shares less the amount of cash received on the exchange. An Eligible Holder will realize a capital gain to the extent that such elected proceeds of disposition exceed the Eligible Holder's adjusted cost base of the Savanna Common Shares, which capital gain will be subject to the treatment under the Tax Act described below under the heading "Holders Resident in Canada – Taxation of Capital Gains and Capital Losses".

**The potential advantage of filing a joint tax election with the Offeror under subsection 85(1) of the Tax Act is that an Eligible Holder will be able to limit the amount of the capital gain which would otherwise arise on the disposition to the amount by which the cash received on the disposition exceeds the aggregated adjusted cost base of the Savanna Common Shares disposed of on the exchange, and thereby achieve a greater tax deferred "rollover" than might otherwise be available under subsection 85.1(1) of the Tax Act.**

Eligible Holders who wish to make an election under subsection 85(1) of the Tax Act must indicate their intention to make such an election in the Amended Letter of Transmittal. An Eligible Holder who makes such an indication of intention and does not make an election under subsection 85(1) of the Tax Act will not be entitled to any potential tax deferred "rollover" treatment under either subsection 85(1) or subsection 85.1(1) of the Tax Act.

It will be the responsibility of each Eligible Holder who wishes to make an election under subsection 85(1) of the Tax Act to obtain the necessary election form from the CRA (and, to the extent applicable, any provincial tax authority), to fully complete the form(s) indicating, among other requirements, the number and the adjusted cost base of the Savanna Common Shares disposed of and the elected amount, to sign the form(s) where required, and to forward the signed form(s) to the Offeror within 90 days following the Expiry Date. Thereafter, subject to the form(s) complying with the provisions of the Tax Act (and any provincial taxation legislation, as applicable), the Offeror will sign the forms and return them to the Eligible Holder for filing by the Eligible Holder with the CRA (and any provincial income tax authorities). Additional information on making a tax election will be available on the Offeror's website ([www.totalenergy.ca](http://www.totalenergy.ca)).

**Eligible Holders considering making an election under subsection 85(1) of the Tax Act should consult their own tax advisors to determine the Canadian tax consequences to them of the recognition of a capital gain as a result of the transfer of their Savanna Common Shares to the Offeror and as to the advisability of making such an election, and if so, the selection of an elected amount therein. The subsection 85(1) of the Tax Act election alternative will only be available to the extent that an Eligible Holder indicates an intention to make such an election in the Amended Letter of Transmittal submitted on the acceptance of the Offer, and the Eligible Holder prepares the necessary joint tax election in the prescribed form and provides such form to the Offeror within 90 days following the Expiry Date and then files such form with the relevant taxing authorities within the prescribed time period. Eligible Holders should consult their own tax advisors to determine whether any separate election forms must be filed with any provincial taxing authority. Compliance with the requirements to ensure the validity of the election form on a timely basis will be the sole responsibility of the Eligible Holder making the election, and the Offeror will not be liable for any loss or damage resulting from the late filing of any election form or from the invalidation of any election form.**



### ***Taxation of Capital Gains and Capital Losses***

Generally, a Resident Holder will be required to include in computing income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized in that year. A Resident Holder will be 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 that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be carried back to any of the three preceding taxation years or carried forward to any subsequent taxation year and deducted against net taxable capital gains realized in such years, subject to and in accordance with the detailed rules contained in the Tax Act.

The amount of any capital loss realized on the disposition of a Savanna Common Share or a Total Common Share by a Resident Holder that is a corporation may, to the extent and under the circumstances specified by the Tax Act, be reduced by the amount of any dividends received or deemed to have been received by the corporation on such share (or on a share for which such share is substituted or exchanged). Similar rules may apply where shares are owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Resident Holders to whom these rules may be relevant are urged to consult their own tax advisors.

A Resident Holder that is throughout the year a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax on certain investment income, including taxable capital gains realized, interest and certain dividends. Capital gains realized by a Resident Holder who is an individual or a trust, other than certain specified trusts, will be taken into account in determining liability for alternative minimum tax under the Tax Act.

### ***Disposition of Savanna Common Shares Pursuant to a Compulsory Acquisition***

As described in Section 20 of the Original Circular, "Acquisition of Savanna Common Shares Not Deposited Under the Offer – Compulsory Acquisition", the Offeror may, in certain circumstances, acquire or be required to acquire Savanna Common Shares not deposited pursuant to the Offer pursuant to statutory rights of purchase under Part 16 of the ABCA. A Resident Holder whose Savanna Common Shares are acquired pursuant to such statutory rights of purchase will generally be subject to the income tax consequences described above under the heading "Disposition of Savanna Common Shares Pursuant to the Offer – Disposition of Savanna Common Shares Where No Indication to Make a Subsection 85(1) Tax Election".

A Resident Holder who dissents and obtains an order from a court of competent jurisdiction in respect of a Compulsory Acquisition and receives a cash payment from the Offeror for such holder's Savanna Common Shares will be considered to have disposed of such Savanna Common Shares for proceeds of disposition equal to the amount received (not including the amount of any interest awarded by the court). As a result, such dissenting Resident Holder will realize a capital gain (or a capital loss) equal to the amount, if any, by which the amount of cash received (not including the amount of any interest awarded by the court), net of any reasonable costs of disposition, exceeds (or is less than) the adjusted cost base of the Savanna Common Shares to the Resident Holder, determined immediately before the time at which the Savanna Common Shares are taken up by the Offeror. For a description of the tax treatment of capital gains and capital losses, see "Holders Resident in Canada – Taxation of Capital Gains and Capital Losses" above.

Any interest awarded to a Resident Holder by the court in connection with a Compulsory Acquisition must be included in computing such Resident Holder's income for purposes of the Tax Act.

**Resident Holders are urged to consult their own tax advisors with respect to the potential income tax consequences to them of having their Savanna Common Shares acquired pursuant to a Compulsory Acquisition.**

### ***Disposition of Savanna Common Shares Pursuant to a Subsequent Acquisition Transaction***

As described in Section 20 of the Original Circular, "Acquisition of Savanna Common Shares Not Deposited Under the Offer – Subsequent Acquisition Transaction", if the Offeror does not acquire all of the Savanna Common 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 Savanna Common Shares.

The income tax treatment of a Subsequent Acquisition Transaction to a Resident Holder will depend upon the exact manner in which the transaction is carried out and the consideration offered. It is not possible to comment as to the tax treatment of such a transaction until the form of such transaction is determined. However, the income tax consequences of such a transaction may differ from those arising on the disposition of Savanna Common Shares under the Offer and will depend on the particular form and circumstances of the transaction. Depending on the form of the transaction, a Resident Holder may realize a capital gain (or loss) and/or be deemed to receive a dividend. No opinion is expressed herein as to the income tax consequences of any such transaction to a Resident Holder.

**Resident Holders are urged to consult their own tax advisors with respect to the potential income tax consequences to them of having their Savanna Common Shares acquired pursuant to a Subsequent Acquisition Transaction.**

### ***Potential Delisting***

As described in Section 15 of the Original Circular, "Effect of the Offer on the Market for Savanna Common Shares, Listing and Public Disclosure by the Company", the Savanna Common Shares may cease to be listed on the TSX following the completion of the Offer. Resident Holders are cautioned that, if the Savanna Common Shares are no longer listed on a "designated stock exchange" (which currently includes the TSX) and the Company otherwise ceases to be a "public corporation" for purposes of the Tax Act, the Savanna Common Shares may cease to be qualified investments for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), registered education savings plans, registered disability savings plans, deferred profit sharing plans or tax-free savings accounts ("TFSA") (collectively, "Deferred Income Plans"). Resident Holders are urged to consult their own tax advisors with respect to the potential income tax consequences to them in this regard.

### ***Holding and Disposing of Total Common Shares***

#### ***Dividends on Total Common Shares***

Dividends on Total Common Shares will be included in the recipient's income for the purposes of the Tax Act. Such dividends received by a Resident Holder who is an individual will be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to taxable dividends received from taxable Canadian corporations. Provided that appropriate designations are made by the Offeror prior to the time the dividend is paid, such dividend will be treated as an eligible dividend for the purposes of the Tax Act and a Resident Holder who is an individual will be entitled to an enhanced dividend tax credit in respect of such dividend. Dividends received by an individual (including certain trusts) may give rise to a liability for alternative minimum tax.

In the case of a Resident Holder of Total Common Shares that is a corporation, dividends received on the Total Common Shares will be required to be included in computing the corporation's income for the taxation year in which such dividends are received and will generally be deductible in computing the corporation's taxable income. A Resident Holder of Total Common Shares that is a "private corporation" (as defined in the Tax Act), or any other corporation resident in Canada and 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) may be liable under Part IV of the Tax Act to pay a refundable tax of 38 1/3% on dividends received on the Total Common Shares to the extent that such dividends are deductible in computing the Resident Holder's taxable income.

In certain circumstances, subsection 55(2) of the Tax Act will recharacterize a dividend into a capital gain or additional proceeds of disposition. **Corporate Resident Holders are urged to consult with their own tax advisors in this regard.**

#### *Disposition of Total Common Shares*

A disposition or deemed disposition of a Total Common Share by a Resident Holder (other than a disposition to the Offeror in circumstances other than a purchase by the Offeror in the open market in the manner in which shares are normally purchased by a member of the public in the open market) will generally result in a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of the Total Common Share immediately before the disposition. For a description of the tax treatment of capital gains and capital losses, see "Resident Holders – Taxation of Capital Gains and Capital Losses" above.

#### *Eligibility for Investment – Disposition of Savanna Common Shares Pursuant to the Offer*

The Total Common Shares, provided they are listed on a designated stock exchange (which currently includes the TSX), if issued on the date of this Notice of Change and Variation, would be qualified investments under the Tax Act for a trust governed by a Deferred Income Plan.

Notwithstanding that the Total Common Shares may be qualified investments, the holder of a TFSA or the annuitant under an RRSP or RRIF will be subject to a penalty tax in respect of the Total Common Shares and other tax consequences may result if the Total Common Shares are a "prohibited investment" (as defined in the Tax Act) for the TFSA, RRSP or RRIF, as the case may be. The Total Common Shares will generally be a "prohibited investment" if the holder or the annuitant, as the case may be, does not deal at arm's length with the Offeror for purposes of the Tax Act or the holder or the annuitant, as the case may be, has a "significant interest" (as defined in the Tax Act) in the Offeror. In addition, Total Common Shares will not be a prohibited investment for a TFSA, RRSP or RRIF if such shares are "excluded property" (as defined in the Tax Act) for such TFSA, RRSP or RRIF. Resident Holders are urged to consult their own tax advisors in this regard.

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

This part of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, is neither resident nor deemed to be resident in Canada, and does not use or hold, and is not deemed to use or hold, Savanna Common Shares or Total Common Shares in connection with carrying on a business in Canada (a "**Non-Resident Holder**"). This part of the summary is not applicable to Non-Resident Holders that are insurers carrying on an insurance business in Canada and elsewhere. Such Non-Resident Holders are urged to consult their own tax advisors.

#### *Disposition of Savanna Common Shares 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 Savanna Common Shares pursuant to the Offer unless those Savanna Common Shares (i) constitute "taxable Canadian property" and, (ii) are not "treaty-protected property" as defined in the Tax Act ("**treaty-protected property**"). A Non-Resident Holder's Savanna Common Shares would constitute treaty-protected property at a particular time if gains on the disposition of such shares would be, at that time, exempt from Canadian federal income tax under an income tax treaty or convention between Canada and the jurisdiction of residence of the Non-Resident Holder.

Generally, a Savanna Common Share will not be "taxable Canadian property" of a Non-Resident Holder at a particular time provided that such share is listed on a designated stock exchange (which includes the TSX) at that time, unless at any time during the 60-month period immediately preceding the particular time (a) the Non-Resident Holder, Persons with whom the Non-Resident Holder did not deal at arm's length, a partnership in which the Non-Resident Holder or a non-arm's length Person holds a membership interest

directly or indirectly through one or more partnerships, or the Non-Resident Holder together with such Persons or partnerships, owned 25% or more of the issued shares of any class or series of shares of Savanna, and (b) more than 50% of the fair market value of the Savanna Common Share was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Tax Act), "timber resource properties" (as defined in the Tax Act), and options in respect of, or interests in, or for civil law rights in, any such properties (whether or not such property exists). Notwithstanding the foregoing, Savanna Common Shares may otherwise in certain circumstances be deemed to be taxable Canadian property to the Non-Resident Holder for the purposes of the Tax Act. Non-Resident Holders whose Savanna Common Shares may constitute taxable Canadian property are urged to consult their own tax advisors for advice having regard to their particular circumstances.

In the event that the Savanna Common Shares are considered to be taxable Canadian property but not treaty-protected property, such Non-Resident Holder will realize a capital gain (or capital loss) generally in the circumstances and computed in the manner described above under "Holders Resident in Canada – Disposition of Savanna Common Shares Pursuant to the Offer – Disposition of Savanna Common Shares Where No Indication to Make a Subsection 85(1) Tax Election" as if the Non-Resident Holder were a Resident Holder thereunder. Such Non-Resident Holder may be entitled to the automatic tax deferral provisions of subsection 85.1(1) of the Tax Act as described above if such Non-Resident Holder satisfies the conditions above under the heading "Holders Resident in Canada – Disposition of Savanna Common Shares Pursuant to the Offer – Disposition of Savanna Common Shares Where No Indication to Make a Subsection 85(1) Tax Election" and such Non-Resident Holder is generally not a foreign affiliate of a taxpayer resident in Canada that has included the gain or loss otherwise determined in its foreign accrual property income. If subsection 85.1(1) of the Tax Act applies, the Total Common Shares received in exchange for Savanna Common Shares that constituted taxable Canadian property to such Non-Resident Holder may be deemed to be taxable Canadian property to such Non-Resident Holder. Any capital gain (or loss) realized by a Non-Resident Holder will generally be computed in the manner described above under "Holders Resident in Canada – Taxation of Capital Gains and Capital Losses". Non-Resident Holders whose Savanna Common Shares are taxable Canadian property are urged to consult their own tax advisors for advice having regard to their particular circumstances.

#### ***Disposition of Savanna Common Shares Pursuant to a Compulsory Acquisition***

As described in Section 20 of the Original Circular, "Acquisition of Savanna Common Shares Not Deposited Under the Offer – Compulsory Acquisition", the Offeror may, in certain circumstances, acquire or be required to acquire Savanna Common Shares not deposited under the Offer pursuant to statutory rights of purchase under Part 16 of the ABCA.

A Non-Resident Holder whose Savanna Common Shares do not constitute taxable Canadian property will not be subject to tax under the Tax Act in respect of any capital gain realized on the disposition of Savanna Common Shares by way of a Compulsory Acquisition. Whether a Savanna Common Share is considered to be taxable Canadian property at the time of a disposition by way of a Compulsory Acquisition will generally be determined as described above (see "Holders Not Resident in Canada – Disposition of Savanna Common Shares Pursuant to the Offer"), except that more stringent rules may be applied where the Savanna Common Shares cease to be listed on a designated stock exchange (see "Holders Not Resident in Canada – Potential Delisting" below).

A Non-Resident Holder whose Savanna Common Shares are taxable Canadian property for purposes of the Tax Act but not treaty-protected property may be subject to tax under the Tax Act in respect of any capital gain realized on the disposition of Savanna Common Shares by way of a Compulsory Acquisition. The Non-Resident Holder will generally be subject to the income tax consequences described above under the heading "Holders Resident in Canada – Disposition of Savanna Common Shares Pursuant to the Offer – Disposition of Savanna Common Shares Where No Indication to Make a Subsection 85(1) Tax Election", depending on the extent to which cash or Total Common Shares are received.

Generally, where interest is paid or credited to a Non-Resident Holder in connection with a Compulsory Acquisition, the Non-Resident Holder will not be subject to Canadian withholding tax on such interest under the Tax Act.

**Non-Resident Holders are urged to consult their own tax advisors with respect to the potential income tax consequences to them of having their Savanna Common Shares acquired pursuant to a Compulsory Acquisition.**

***Disposition of Savanna Common Shares Pursuant to a Subsequent Acquisition Transaction***

As described in Section 20 of the Original Circular, "Acquisition of Savanna Common Shares Not Deposited Under the Offer – Subsequent Acquisition Transaction", if the Offeror does not acquire all of the Savanna Common 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 Savanna Common Shares.

The income tax treatment to a Non-Resident Holder of a Subsequent Acquisition Transaction will depend upon the exact manner in which the transaction is carried out and the consideration offered. It is not possible to comment as to the tax treatment of such a transaction until the form of such transaction is determined. However, the income tax consequences of such a transaction may differ from those arising on the disposition of Savanna Common Shares under the Offer and will depend on the particular form and circumstances of the transaction.

Depending on the form of the transaction, a Non-Resident Holder may realize a capital gain (or loss) and/or be deemed to receive a dividend. Whether or not a Non-Resident Holder would be subject to tax under the Tax Act on any such capital gain generally would depend on whether the Savanna Common Shares are "taxable Canadian property" of the Non-Resident Holder for the purposes of the Tax Act at the time of the disposition and whether such Savanna Common Shares constitute treaty-protected property. Whether a Savanna Common Share is considered to be taxable Canadian property at the time of a disposition by way of a Subsequent Acquisition Transaction will generally be determined as described above (see "Holders Not Resident in Canada – Disposition of Savanna Common Shares Pursuant to the Offer"), except that more stringent rules may be applied where the Savanna Common Shares cease to be listed on a designated stock exchange (see "Holders Not Resident in Canada – Potential Delisting" below).

Dividends paid or credited 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 pursuant to an applicable income tax treaty or convention. For example, under the *Canada-United States Income Tax Convention (1980)*, as amended (the "**Canada-U.S. Tax Treaty**"), where dividends are paid to or derived by a Non-Resident Holder who is a U.S. resident for the purpose of, and who is entitled to the benefits in accordance with the provisions of, the Canada-U.S. Tax Treaty, the applicable rate of Canadian withholding tax generally is reduced to 15%.

Generally, where interest is paid or credited to a Non-Resident Holder in connection with a Subsequent Acquisition Transaction, the Non-Resident Holder will not be subject to Canadian withholding tax on such interest under the Tax Act.

**Non-Resident Holders are urged to consult their own tax advisors with respect to the potential income tax consequences to them of having their Savanna Common Shares acquired pursuant to a Subsequent Acquisition Transaction.**

***Potential Delisting***

As described in Section 15 of the Original Circular, "Effect of the Offer on the Market for Savanna Common Shares, Listing and Public Disclosure by the Company", Savanna Common Shares may cease to be listed on the TSX (or another designated stock exchange) following the completion of the Offer and may

not be listed on the TSX (or another designated stock exchange) at the time of their disposition pursuant to a Compulsory Acquisition or a Subsequent Acquisition Transaction.

Non-Resident Holders who do not dispose of their Savanna Common Shares pursuant to the Offer are cautioned that Savanna Common Shares that are not listed on a designated stock exchange at the time of their disposition will be considered taxable Canadian property of the Non-Resident Holder, if at any time within the 60-month period immediately preceding the disposition, more than 50% of the fair market value of the Savanna Common Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Tax Act), "timber resource properties" (as defined in the Tax Act), and options in respect of, or interests in, or for civil law rights in, any such properties (whether or not such property exists). Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, Savanna Common Shares may be deemed to be taxable Canadian property.

If the Savanna Common Shares are taxable Canadian property of the Non-Resident Holder at the time of their disposition but are not treaty-protected property, the Non-Resident Holder may be subject to tax under the Tax Act in respect of any capital gain realized on the disposition. In addition, if such Savanna Common Shares constitute taxable Canadian property and are not listed on a recognized stock exchange (which includes the TSX) at the time of their disposition, the notification and withholding provisions of section 116 of the Tax Act may apply to the Non-Resident Holder, in which case the Offeror (or a successor thereof, as applicable) may deduct and withhold 25% from any payment made to the Non-Resident Holder and will remit such amount to the Receiver General of Canada on account of the Non-Resident Holder's liability for tax under the Tax Act and the Non-Resident Holder may be subject to certain Canadian federal income tax filing obligations.

**Non-Resident Holders are urged to consult their own tax advisors in this regard.**

### ***Holding and Disposing of Total Common Shares***

#### *Dividends on Total Common Shares*

Any dividends paid in respect of Total Common Shares to a Non-Resident Holder will be subject to Canadian withholding tax at the rate of 25%, subject to any reduction pursuant to an applicable income tax treaty or convention. For example, under the Canada-U.S. Tax Treaty, where dividends are paid to, or derived by, a Non-Resident Holder who is a U.S. resident for the purpose of, and who is entitled to the benefits in accordance with the provisions of, the Canada-U.S. Tax Treaty, the applicable rate of Canadian withholding tax generally is reduced to 15%.

#### *Disposition of Total Common Shares*

A Non-Resident Holder who holds Total Common Shares that are not "taxable Canadian property" will not be subject to tax under the Tax Act on the disposition of such Total Common Shares (other than generally to the Offeror). The circumstances in which the Total Common Shares may constitute "taxable Canadian property" will be the same as described above under "Holders Not Resident in Canada – Disposition of Savanna Common Shares Pursuant to the Offer".

Even if the Total Common Shares are considered to be "taxable Canadian property" to a Non-Resident Holder, a taxable capital gain resulting from the disposition of the Total Common Shares will not be included in computing the Non-Resident Holder's income for purposes of the Tax Act if such Total Common Shares constitute treaty-protected property to the Non-Resident Holder. Non-Resident Holders who hold Total Common Shares that are or may be "taxable Canadian property" are urged to consult their own advisors as to the Canadian income tax consequences of disposing of their Total Common Shares acquired pursuant to the Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction.

In the event that Total Common Shares constitute taxable Canadian property but are not treaty-protected property, the tax consequences as described above under "Holders Resident in Canada – Taxation of Capital Gains and Capital Losses" will generally apply. A Non-Resident Holder who disposes of taxable Canadian property is urged to consult his, her or its own tax advisors regarding any resulting Canadian reporting requirements.

#### *Tax Considerations – United States*

The disclosure set out in the Original Offer and Circular in the section entitled "Frequently Asked Questions", in response to the question "What are the U.S. federal income tax consequences of accepting the Offer?", is updated as follows:

The exchange of Savanna Common Shares for Total Common Shares pursuant to the Offer will be a taxable transaction for U.S. federal income tax purposes, unless the Offeror engages in certain transactions that may result in the exchange being tax-deferred (as discussed immediately below under the heading, "Certain United States Federal Income Tax Considerations"). Even if the exchange is tax-deferred, a U.S. Holder would recognize gain on the exchange up to the U.S. dollar value of the cash consideration or property other than the Total Common Shares received in the exchange.

A Non-U.S. Holder will generally not be subject to U.S. federal income tax on gain recognized on exchange of Savanna Common Shares pursuant to the Offer unless the gain is "effectively connected" with the Non-U.S. Holder's conduct of a trade or business in the United States or the Non-U.S. Holder is an individual present in the United States for 183 or more days in the taxable year of the exchange, and certain other requirements are met.

You are urged to consult your own tax advisors to determine the particular tax consequences to you of a sale of your Savanna Common Shares pursuant to the Offer, or a disposition of your Savanna Common Shares pursuant to any Compulsory Acquisition or Subsequent Acquisition Transaction as described herein. For a brief summary of certain U.S. federal income tax consequences of accepting the Offer, see the information set out below in this Section 1 under the heading "Certain United States Federal Income Tax Considerations".

The disclosure set out in the Original Offer and Circular in the section entitled "Summary" (beginning at page 6), under the heading "Certain United States Federal Income Tax Considerations" (found on page 13), is updated as follows:

The exchange of Savanna Common Shares for Total Common Shares pursuant to the Offer will be a taxable transaction for U.S. federal income tax purposes, unless the Offeror engages in certain transactions that may result in the exchange being tax-deferred (as discussed below in Section 22 of the Circular, "Certain United States Federal Income Tax Considerations"). Even if the exchange is tax-deferred, a U.S. Holder would recognize gain on the exchange up to the U.S. dollar value of the cash consideration or property other than the Total Common Shares received in the exchange.

A Non-U.S. Holder will generally not be subject to U.S. federal income tax on gain recognized on exchange of Savanna Common Shares pursuant to the Offer unless the gain is "effectively connected" with the Non-U.S. Holder's conduct of a trade or business in the United States or the Non-U.S. Holder is an individual present in the United States for 183 or more days in the taxable year of the exchange, and certain other requirements are met.

**The foregoing is a brief summary of U.S. federal income tax consequences only and is qualified by the description of U.S. federal income tax considerations set out immediately below under the heading, "Certain United States Federal Income Tax Considerations". Tax matters are very complicated, and the tax consequences of the Offer to a particular Savanna Shareholder will depend in part on such Savanna Shareholder's circumstances. Accordingly, Savanna Shareholders are urged to consult their own tax advisors for a full understanding of the tax consequences of the Offer**

**to them, including the applicability of U.S. federal, state, local and non-U.S. income and other tax laws.**

The disclosure set out in Section 22 of the Original Offer and Circular, entitled "Certain United States Federal Income Tax Considerations", is updated as follows:

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

The following is a discussion of the material U.S. federal income tax consequences to U.S. Holders that tender and deposit their Savanna Common Shares, whose Savanna Common Shares are taken up pursuant to the Offer, and that directly exchange their Savanna Common Shares with the Offeror for Total Common Shares and cash consideration (the "**Exchange**") and the ownership and disposition of Total Common Shares. This discussion is not a complete analysis or listing of all of the possible tax consequences of such transactions and does not address all tax considerations that might be relevant to particular holders in light of their personal circumstances or to Persons that are subject to special tax rules. In particular, the information set out below deals only with holders that acquire the Total Common Shares pursuant to the Exchange and that hold both the Savanna Common Shares and the Total Common Shares as capital assets for U.S. federal income tax purposes (generally, property held for investment). In addition, this description of the material U.S. federal income tax consequences does not address the tax treatment of special classes of holders, such as:

- financial institutions
- regulated investment companies
- real estate investment trusts
- tax-exempt entities
- insurance companies
- Persons holding the Savanna Common Shares or the Total Common Shares as part of a hedging, integrated or conversion transaction, constructive sale or "straddle"
- U.S. expatriates
- Persons subject to the alternative minimum tax
- U.S. Holders that own, directly or indirectly, 10% or more of the total voting power of the Offeror
- dealers or traders in securities or currencies.

Except as otherwise specifically stated herein, this summary does not address 3.8% Medicare tax, estate and gift tax consequences or tax consequences under any state, local or foreign laws.

For purposes of this discussion, a holder is a "**U.S. Holder**" if such holder is: (1) an individual citizen or resident of the United States as determined for U.S. federal income tax purposes; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States or any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (4) a trust (A) if a court within the United States is able to exercise primary jurisdiction over its administration and one or more U.S. Persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.



For purposes of this discussion, a holder is a "**Non-U.S. Holder**" if such holder is: (1) a nonresident alien individual; (2) a foreign corporation or (3) a trust or estate that in either case is not subject to U.S. federal income tax on income or gain with respect to the Savanna Common Shares or Total Common Shares.

If a partnership or other pass-through entity, whether foreign or domestic, holds Savanna Common Shares or Total Common Shares, the tax treatment of a partner or other owner will generally depend upon the status of the partner (or other owner) and the activities of the entity. If a holder is a partner (or other owner) of a pass-through entity that holds Savanna Common Shares or Total Common Shares, such holder is urged to consult its own tax advisor regarding the U.S. tax consequences of the Exchange and of holding the Total Common Shares.

The following discussion is based upon the Internal Revenue Code of 1986, as amended (the "**Code**"), U.S. judicial decisions, administrative pronouncements and existing and proposed Treasury regulations, all as in effect as of the date hereof. All of the preceding authorities are subject to change, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below. The Offeror has not requested, and will not request, a ruling from the U.S. Internal Revenue Service (the "**IRS**") with respect to any of the U.S. federal income tax consequences described below, and as a result there can be no assurance that the IRS will not disagree with or challenge any of the conclusions reached and describe herein.

This discussion assumes that the Offeror is not, and will not become, a passive foreign investment company (a "**PFIC**"), as discussed below.

**The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of Total Common Shares and no opinion or representation with respect to the U.S. federal income tax consequences to any such holder or prospective holder is made. Holders are urged to consult their tax advisors as to the particular consequences to them under U.S. federal, state and local, and applicable foreign, tax laws of the acquisition, ownership and disposition of Total Common Shares.**

#### **Consequences of the Acquisition of Savanna Common Shares by the Offeror**

**In General.** Generally, subject to the discussion of tax-free reorganization treatment below, a U.S. Holder will be required to recognize gain or loss in an amount equal to the difference between (x) the sum of (i) the amount (determined in U.S. dollars) of any cash consideration and (ii) the fair market value of the Total Common Shares and any other consideration received in the Exchange or any Compulsory Acquisition or Subsequent Acquisition Transaction and (y) the U.S. Holder's adjusted tax basis in the Savanna Common Shares disposed of in the Exchange or any Compulsory Acquisition or a Subsequent Acquisition Transaction. A U.S. Holder's adjusted tax basis generally will be the original cost of the Savanna Common Shares to the U.S. Holder, subject to certain adjustments.

Any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder held the Savanna Common Shares for more than one year at the time of the Exchange. Long-term capital gains of noncorporate U.S. Holders are generally eligible for reduced rates of taxation. The deductibility of capital losses for U.S. federal income tax purposes is subject to limitations. A U.S. Holder's initial tax basis in its Total Common Shares will equal their fair market value. The holding period of the Total Common Shares will begin on the day after the date of the Exchange (or any Compulsory Acquisition or Subsequent Acquisition if applicable).

It is expected that the cash consideration that U.S. Holders receive as part of the Exchange (or any Compulsory Acquisition or Subsequent Acquisition Transaction) will be paid in Canadian dollars. Unless U.S. Holders convert the cash consideration into U.S. dollars on the date of the Exchange (or any Compulsory Acquisition or Subsequent Acquisition), such holders may recognize ordinary income or loss as a result of currency fluctuations between the date of the Exchange (or any Compulsory Acquisition or Subsequent Acquisition Transaction) and the date the cash consideration is converted into U.S. dollars.

**Tax-Deferred Reorganization Treatment.** If, as part of the Exchange (or, if part of a single integrated transaction, the Exchange and any Compulsory Acquisition or Subsequent Acquisition Transaction), the Offeror effectuates a "statutory merger," as defined for U.S. federal income tax purposes, between Savanna and a subsidiary of the Offeror in which the Shareholders of Savanna receive Total Common Shares in exchange for at least 40 percent of the common shares pursuant to Section 368(a)(2)(D) of the Code. If the Exchange (or, if part of a single integrated transaction, the Exchange and any Compulsory Acquisition or Subsequent Acquisition Transaction) qualifies as a tax-deferred reorganization pursuant to Section 368(a)(2)(D), holders should only recognize gain on the exchange up to the U.S. dollar value of the cash consideration (and any property other than the Total Common Shares) that they receive and will not be permitted to recognize any loss. In such an event, Holders' basis in their Total Common Shares should be equal to their adjusted tax basis in their Savanna Common Shares increased by the amount of any gain recognized and decreased by the U.S. dollar value of the cash consideration (and any other property) received in the Exchange (or, if part of a single integrated transaction, the Exchange and any Compulsory Acquisition or Subsequent Acquisition Transaction) and the holding period of the Total Common Shares should include the holding period of the Savanna Common Shares exchanged therefor.

U.S. federal income tax treatment of the Exchange (and any Compulsory Acquisition or Subsequent Acquisition Transaction) is uncertain and holders are urged to consult their tax advisors with respect to their receipt of Total Common Shares or other consideration in the Exchange and any Compulsory Acquisition or Subsequent Acquisition Transaction.

## **Consequences of Holding the Total Common Shares**

### **Distributions**

Subject to the discussion of the passive foreign investment company ("**PFIC**") rules below, the gross amount of any distribution paid by the Offeror will generally be subject to United States federal income tax as foreign source dividend income to the extent paid out of the Offeror's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Such amount will be includable in gross income by U.S. Holders as ordinary income on the date that such holders actually or constructively receive the distribution in accordance with their regular method of accounting for U.S. federal income tax purposes. The amount of any distribution made by the Offeror in property other than cash will be the fair market value of such property on the date of the distribution. Dividends paid by the Offeror will not be eligible for the dividends received deduction allowed to corporations.

To the extent that a distribution exceeds the amount of the Offeror's current and accumulated earnings and profits, as determined under U.S. federal income tax principles, it will be treated first as a tax-free return of capital, causing a reduction in a holder's adjusted tax basis in the Total Common Shares held by such holder (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by such holder upon a subsequent disposition of the shares), with any amount that exceeds such holder's adjusted tax basis being taxed as a capital gain recognized on a sale or exchange (as discussed below). However, the Offeror does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax principles, and holders should therefore assume that any distribution with respect to the Total Common Shares will constitute ordinary dividend income.

If a holder is eligible for benefits under the Canada-U.S. Tax Treaty, such holder may be able to claim a reduced rate of Canadian withholding tax on any distribution to it. Holders are urged to consult their own tax advisors about their eligibility for reduction of Canadian withholding tax. Holders may claim a deduction or a foreign tax credit, subject to other applicable limitations, only for tax withheld at the appropriate rate. Holders should not be allowed a foreign tax credit for withholding tax for any portion of the tax that could have been avoided by claiming benefits under the Canada-U.S. Tax Treaty. The rules governing the foreign tax credit are complex and involve the application of rules that depend upon a holder's particular circumstances. Accordingly, holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

The gross amount of distributions paid in Canadian dollars will be included by U.S. Holders in income in a dollar amount calculated by reference to the exchange rate in effect on the day the distributions are paid regardless of whether the payment is in fact converted into U.S. dollars. If the Canadian dollars are converted into U.S. dollars on the date of the payment, U.S. Holders should not be required to recognize any foreign currency gain or loss with respect to the receipt of Canadian Dollars as distributions. If, instead, the Canadian Dollars are converted at a later date, any currency gains or losses resulting from the conversion of the Canadian Dollars will be treated as U.S. source ordinary income or loss.

### **Sale, Exchange or Other Taxable Disposition of Total Common Shares**

Subject to the possible application of the PFIC rules discussed below, U.S. Holders generally will recognize gain or loss upon the taxable sale, exchange or other disposition of Total Common Shares in an amount equal to the difference between (i) the amount realized upon the sale, exchange or other taxable disposition and (ii) such holder's adjusted tax basis in the shares. Generally, such gain or loss will be capital gain or loss and will be long term capital gain or loss if, on the date of the sale, exchange or other taxable disposition, a holder has held the Total Common Shares for more than one year. Long-term capital gains of non-corporate U.S. Holders may be generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations under the Code.

Gain or loss, if any, that a U.S. Holder realizes upon a sale, exchange or other taxable disposition of Total Common Shares will be treated as having a United States source for U.S. foreign tax credit limitation purposes. Consequently, U.S. Holders may not be able to use any foreign tax credits arising from any Canadian tax imposed on the sale, exchange or other taxable disposition of Total Common Shares unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources or unless an applicable treaty provides otherwise.

If U.S. Holders receive any foreign currency on the sale of Total Common Shares, such holders may recognize ordinary income or loss as a result of currency fluctuations between the date of the sale of Total Common Shares and the date the sale proceeds are converted into U.S. dollars.

### **Passive Foreign Investment Company Considerations**

Special U.S. federal income tax rules apply to U.S. Persons owning shares of a PFIC. A foreign corporation will be considered a PFIC for any taxable year in which (i) 75% or more of its gross income is passive income, or (ii) 50% or more of the average value (or, if elected, the adjusted tax basis) of its assets are considered "passive assets" (generally, assets that generate passive income).

The Offeror believes that it currently is not a PFIC for U.S. federal income tax purposes, and does not expect to become a PFIC in the future. However, the determination of PFIC status for any year is very fact specific, and there can be no assurance in this regard. Accordingly, it is possible that the Offeror may become a PFIC in the current taxable year or in future years. If the Offeror is classified as a PFIC in any year during which a holder holds Total Common Shares, the Offeror generally will continue to be treated as a PFIC as to such holder in all succeeding years, regardless of whether the Offeror continues to meet the income or asset test discussed above.

If the Offeror were classified as a PFIC for any taxable year during which a holder holds Offeror Common Shares, such holder would be subject to increased tax liability (generally including an interest charge) upon the sale or other disposition of the Offeror Common Shares or upon the receipt of certain distributions treated as "excess distributions," unless the holder elects to be taxed currently (as discussed below) on its pro rata portion of the Offeror's income, regardless of whether such income was actually distributed. An excess distribution generally would be any distribution to a holder with respect to the Total Common Shares during a single taxable year that is greater than 125% of the average annual distributions received by such holder with respect to the Total Common Shares during the three preceding taxable years or, if shorter, during such holder's holding period for the Total Common Shares. Certain elections may be available to holders to limit the consequences of the Offeror being classified as a PFIC.

Holders are urged to consult their tax advisors concerning the U.S. federal income tax consequences of holding Total Common Shares if the Offeror is considered a PFIC in any taxable year.

### **Information Reporting and Backup Withholding**

In general, information reporting will apply to proceeds received by a U.S. Holder from the sale, exchange or other disposition of Total Common Shares and dividends paid to a U.S. Holder in respect of the Total Common Shares. A U.S. Holder may be subject to information reporting and backup withholding at the rate of 28% with respect to such proceeds, unless such U.S. Holder (i) is an exempt recipient and, when required, establishes this exemption or (ii) in the case of backup withholding, provides the U.S. Holder's correct TIN, certifies that the U.S. Holder is not currently subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules. A U.S. Holder can satisfy these requirements by completing and submitting Form W-9, which can be found on the IRS website at [www.irs.gov](http://www.irs.gov). A U.S. Holder that does not provide the U.S. Holder's correct TIN may be subject to penalties imposed by the IRS.

If a Non-U.S. Holder holds the Total Common Shares through the non-U.S. office of a non-U.S. related broker or financial institution, backup withholding and information reporting generally will not apply. Information reporting, and possibly backup withholding, may apply if the Total Common Shares are held by a Non-U.S. Holder through a U.S. broker or financial institution or the U.S. office of a non-U.S. broker or financial institution and the Non-U.S. Holder fails to provide appropriate information. To prevent backup withholding, Non-U.S. Holders should (i) submit a properly completed IRS Form W-8BEN (or other applicable Form W-8) certifying under penalties of perjury to the holder's foreign status or (ii) otherwise establish an exemption. IRS Form W-8BEN may be obtained from the IRS website at [www.irs.gov](http://www.irs.gov).

Backup withholding is not an additional tax; any amount so withheld may be credited against the U.S. Holder's U.S. federal income tax liability. If backup withholding results in an overpayment of U.S. federal income taxes, a refund may be obtained from the IRS, provided that the required information is timely furnished to the IRS.

### **Other Tax Consequences**

State or local taxation may apply to the Offeror and its shareholders in various state or local jurisdictions, including those in which it or they transact business or reside. The state and local tax treatment of the Offer may not conform to the U.S. federal income tax consequences discussed above. Consequently, prospective shareholders are urged to consult their own tax advisors regarding the effect of state and local tax laws on participation in the Offer.

#### *Documents Incorporated by Reference*

The documents deemed to be incorporated by reference in the Offer and Circular include Total Energy's management proxy circular, dated January 11, 2017, in respect of the special meeting of shareholders of Total Energy held on February 15, 2017.

## **2. ERRORS AND MISLEADING STATEMENTS IN THE SAVANNA DIRECTORS' CIRCULAR**

Total Energy has reviewed the Directors' Circular and has determined that the Directors' Circular contains various misleading or incorrect statements. The following addresses certain misleading or incorrect statements contained in the Directors' Circular and provides responses to various assertions made by Savanna in the Directors' Circular. Savanna's assertions in the Directors' Circular are reproduced verbatim below (the defined terms in the reproduced text are from the Directors' Circular and defined therein) and Total Energy's responses follow.

**Savanna's Assertion:** "The Offer is highly opportunistic and timed to deprive Common Shareholders of both significant positive recent market changes and value-increasing actions achieved to date which had not yet been reflected in the share price."

**Total Energy's Response:** Total Energy disagrees with Savanna's assertion. Total Energy announced its intention to make an offer to acquire all of the Savanna Common Shares less than 24 hours after Savanna announced that it had entered into the Highly Dilutive Refinancing, which ultimately resulted in substantial dilution to Savanna Shareholders. As such, the boards of directors of Savanna and Total Energy made their respective determinations with the same industry information and in the same operating environment. However, the Savanna Board made a decision to sell Savanna Common Shares at \$1.45 per share and the Total Board made a decision to buy Savanna Common Shares at a premium to that price. Unlike the Highly Dilutive Refinancing, which was dilutive to existing Savanna Shareholders and, based on the market views expressed in the Directors' Circular, may represent a sale at the bottom of the market, the Offer was made with the view to creating value for the shareholders of both companies. Regardless of the timing of an eventual industry recovery, given that the Offer involves a share exchange (in part), Savanna Shareholders will have an opportunity to retain exposure to any such industry recovery through the ownership of Total Common Shares. While past performance is no guarantee of future success, the relative financial and share price performance of Total Energy and Savanna for various prior periods suggests Savanna Shareholders stand to do much better if Savanna's assets and the cash flow generated from those assets are managed by Total Energy on a go-forward basis.

In support of this proposition, Total Energy highlights the comparative capital stewardship record of Total Energy and Savanna since Total Energy completed its last public offering of equity for gross proceeds of \$27 million in September 2005.

#### Comparative Capital Stewardship Record – Snapshot <sup>(13)</sup>

	<u>Total Energy</u>	<u>Savanna</u>
Cash returned to shareholders/unitholders, \$ million <sup>(1),(7)</sup>	\$178	\$95
Cash returned to shareholders/unitholders as % of paid up share capital <sup>(2),(7)</sup>	201%	9%
Pre-tax Return on equity <sup>(4),(7),(13)</sup>	19%	-5%
Pre-tax Return on property, plant and equipment (PP&E), goodwill, intangible and other assets <sup>(5),(7)</sup>	17%	-4%
Change in PP&E, net of PP&E impairment losses, % <sup>(6),(7)</sup>	379%	520%
Increase in issued and outstanding common shares, % <sup>(10)</sup>	8%	211%
Increase in net debt, % <sup>(8),(9)</sup>	86%	439%
Impairment losses, \$ million <sup>(7)</sup>	\$0	\$1,039
Paid up capital at September 30, 2016, \$ million <sup>(3)</sup>	\$89	\$1,008
Increase / "-" decrease in market share price % <sup>(11)</sup>	49%	-94%
Common share ownership of Board of Directors, \$ million <sup>(12)</sup>	\$14.7	\$0.5
Common share ownership of Named Executive Officers, \$ million <sup>(12)</sup>	\$19.3	\$0.8

**Note:**

See Annex B to this document for the relevant notes to the performance and other measures set out in this table. This table has been updated to correct the typographical error in the corresponding tables set out on each of pages 8 and 37 of the Original Offer and Circular, in which the reference to "Increase in net debt, %" of Total Energy erroneously referenced "27%".

Total Energy also notes that Savanna's view of recent market changes appears to be inconsistent with the actions of its management. For example, if the market is experiencing recovery or near recovery, Total Energy queries why Savanna would enter into long term contracts for two drilling rigs based in the Marcellus area (as announced by Savanna on December 15, 2016) when contract terms would be expected to improve in the near term as a result of any overall market recovery.

*Savanna's Assertion: "Total Energy's proposed share exchange would give Common Shareholders only a minority position in the combined company, even though Savanna would contribute the vast majority of the cash flow and assets."*

**Total Energy's Response:** This assertion is misleading to Savanna Shareholders and fails to account for the substantial and disproportionate amount of debt that Savanna would contribute to the combined company as well as the public equity market's sustained and substantial discounting of the value of Savanna's assets. Prior to the Offer, the Savanna Board acknowledged that Savanna had a debt problem and justified completing the Highly Dilutive Refinancing on the basis that it served to address the debt problem created under its watch. However, even after raising over \$40 million at \$1.45 per share on December 13, 2016 and thereby increasing Savanna's share count by over 30%, Savanna continues to have much higher debt than Total Energy and remains a highly leveraged company. Specifically, based on Savanna's public disclosure record, Savanna currently has approximately \$235 million of long term debt (which includes a \$17 million mortgage loan bearing interest at 4.75% and \$5.1 million outstanding under limited partnership facilities at September 30, 2016) as compared to approximately \$47 million of long term debt owed by Total Energy, which is comprised solely of a mortgage loan bearing interest at 3.06%. Unlike Savanna, which has had to pledge all of its assets as security for its excessive borrowing during prosperous industry times, Total Energy remained disciplined such that all of Total Energy's property, plant and equipment is free and clear of security claims and is available to support future borrowings if required, with the only exception being approximately 60% of Total Energy's owned real estate; those assets have been pledged to support the mortgage loan. Further, Total Energy's \$65 million credit facility (which bears interest at the bank's prime rate of interest plus 0.40%) is secured only by working capital and, as of the date hereof, remains undrawn and available for use. (As noted in this Notice of Change and Variation (see Section 1, entitled "Increase to the Offer Consideration", under the subheading "Source of Funds"), Total Energy plans to draw upon its existing credit facility (in an amount of approximately \$24.4 million) to the extent necessary to fund payment of the cash portion of the consideration for Savanna Common Shares taken-up under the Offer. See "Consolidated Capitalization".)

The Savanna Board also fails to account for the fact that for several years the public equity market has discounted, and continues to discount, the value of Savanna's assets relative to the "book value", or carrying value of such assets on Savanna's financial statements. The equity market's response to the Offer (as measured by the price for Savanna Common Shares) and subsequent disclosures by Savanna (including in the Directors' Circular) confirm that the equity market continues to value Savanna's assets at a substantial discount to the book value of those assets. Unless Savanna has failed to provide full, plain and true disclosure of all material information relating to its business and assets, the fact that the market has consistently valued the assets of Savanna at a substantial discount to the book value of such assets is a reasonable objective and independent indication that the book value of such assets is impaired. That Savanna currently has more than 11 times the paid-up share capital of Total Energy and has incurred over \$1.0 billion in capital asset impairment charges since October 1, 2005 is consistent with this view and speaks to the poor track record of the Savanna Board in its oversight of Savanna's capital investment decisions. In contrast, thus far in its 20 year history, Total Energy has not recorded any impairment with respect to its capital assets (including intangible assets such as goodwill) and the equity market has generally confirmed the carrying value of such assets even during the current challenging industry environment.

Alternatively, if Savanna is correct in its assessment that the public equity market undervalues Savanna's assets and the book value of its assets is reflective of the fair market value of such assets, this suggests that the market is assigning negative goodwill to Savanna, which in turn reflects the market's negative judgment of Savanna's governance and direction. Either way, the public equity market has and continues to pass judgment in a manner that is supportive of the Offer.

*Savanna's Assertion: In previous discussions with Savanna's management, Total Energy said that it was only interested in a "no-premium" offer for Savanna, and that it was not willing to participate in a board-initiated process to review alternatives.*

**Total Energy's Response:** This is an unfair mischaracterization of prior discussions between Total Energy and Savanna, which were very limited due to the refusal of Savanna to engage with Total Energy in any meaningful way to explore a merger transaction despite having knowledge that strong support from Savanna Shareholders existed in relation to a combination transaction. To put the level of engagement into proper context, Total Energy estimates that the two meetings between representatives of Total Energy and Savanna regarding the potential merger of the

companies (one in September 2016 and the second in November 2016) lasted a total of approximately two hours, the first being approximately 90 minutes and the second approximately 30 minutes.

During the two meetings, Total Energy was consistent in its message that it would be prepared to enter into an agreement with Savanna to combine the two companies, with the exchange ratio to be determined in the context of the market. More specifically, the transaction proposed by Total Energy at the time was a merger rather than a take-over. As such, other deal terms, such as the composition of the board of directors, were to be negotiated in good faith having regard to the needs and requirements of the combined company. In response to a query from the Chief Executive Officer of Savanna during the first meeting (held on September 23, 2016) regarding the desirability or necessity of a process to review strategic alternatives, Total Energy's Chief Executive Officer suggested that the merger agreement contemplated by Total Energy would allow either party to consider a superior alternative provided the other party was afforded a reasonable opportunity to match any superior offer and, in the event one party chose to enter into a superior offer, the other party would receive a reasonable break fee as is customary in such transactions. Total Energy further indicated to Savanna that such approach would be superior to simply commencing a strategic process insofar as the merger agreement between Total Energy and Savanna would provide a greater degree of certainty of outcome, unlike a standalone strategic review process where the outcome would be unknown and the process would most certainly create unnecessary disruption and anxiety for the employees, customers, suppliers, creditors and other corporate stakeholders of Savanna. Total Energy also explained that given the significant number of acquisition opportunities being presented to it for consideration, Total Energy was not inclined to participate in a process where the outcome was highly uncertain.

This general approach was reaffirmed during the second meeting between the respective board Chairs and Chief Executive Officers of Total Energy and Savanna on November 17, 2016. During this brief meeting, Savanna made no mention that it was pursuing debt refinancing options, including the Highly Dilutive Refinancing, despite Total Energy advising that it would look to provide a written proposal by the following week. Also, Savanna's Chairman clearly advised numerous times during the meeting that Savanna was not looking for a proposal from Total Energy, but Total Energy was free to present one if it so desired - hardly an invitation to work together in good faith to come to an agreement.

The Directors' Circular suggests that, to Savanna's knowledge, Total Energy commenced substantive consideration of a transaction with Savanna prior to September 16, 2016. This is simply incorrect. Regardless of when engagement directed by Total Energy precisely began, if Savanna was of the view that a substantive process was underway that could reasonably give rise to a material change for Savanna, Total Energy questions why the President and Chief Executive Officer of Savanna would have engaged in a number of market purchases of Savanna Common Shares (on each of September 19, 2016, September 20, 2016 and September 21, 2016 (as disclosed on page 30 of the Directors' Circular)), while fixed with that knowledge. According to the Directors' Circular, these were the only purchases of Savanna Common Shares made by a senior officer of Savanna in the 6 month period preceding the date of the Directors' Circular. Similarly, Savanna was, as noted on page 23 of the Directors' Circular, actively engaged in meetings and discussions with AIMCo with respect to potential financing transactions as of mid-September 2016 and it is unclear why the board and senior officers of Savanna would not have been prohibited from purchasing Savanna Common Shares with knowledge of the proposed AIMCo financing, which had not generally been disclosed by Savanna as of that time.

***Savanna's Assertion:*** *The Offer currently provides a discount of approximately 5%. That is significantly below the average control premium of approximately 40% at the time of the Offer for similar Canadian public company acquisitions over the past five years. Moreover, the transaction multiples in Total Energy's offer are too low when compared to precedent transactions.*

**Total Energy's Response:** Regarding the calculation of the Offer premium (or lack thereof), the Savanna Board has manipulated dates and share prices to confuse and obfuscate the value of the Offer to Savanna Shareholders. In fact, the chart presented on page 8 of the Directors' Circular confirms that a premium existed at the time the Offer was made, even though Total Energy had publicly announced its intention to make a take-over bid for Savanna over two weeks earlier. To quote share prices and share price performance after Total Energy announced its intention to proceed with a take-over bid or after the bid was commenced as support for Savanna's argument is inappropriate and misleading.

On November 22, 2016, Savanna halted trading in the Savanna Common Shares and announced that it was proceeding with the Highly Dilutive Refinancing. Those transactions were scheduled to close on December 15, 2016. The Savanna Common Shares resumed trading on November 23, 2016 and closed at \$1.47, a decrease of 5.1% from the previous close. Subsequent to the close of trading on November 23, 2016, Total Energy announced its intention to proceed with the take-over bid for Savanna at an exchange ratio of 0.1132 of a Total Common Share per Savanna Common Share. Following Total Energy's announcement, on November 24, 2016, Savanna's share price closed at \$1.59 (up 8.2%) and Total Energy's shares closed at \$14.075 (up 7.4%).

Based on the volume weighted average price of the Total Common Shares for the five trading days following November 23, 2016 (\$13.40 per share) (the "**Pre-Announcement Total Common Share Price**"), the date Total Energy announced its intention to make the Offer and the 0.1300 exchange ratio (which represented a 15% increase to the 0.1132 exchange ratio initially proposed by Total Energy), the Offer consideration represented an implied Savanna Common Share price of \$1.74 per Savanna Common Share. This equates to a 20% premium to the \$1.45 per Savanna Common Share issuance price the Savanna Board agreed to as part of the Highly Dilutive Refinancing, an 18% premium to the closing price of the Savanna Common Shares on November 23, 2016, prior to Total Energy announcing its intention to proceed with a take-over bid, and a 3% premium to the closing price of the Savanna Common Shares on December 8, 2016.

The Offer now contemplates the payment of cash consideration in the amount of \$0.20 for each Savanna Common Share tendered to the Offer (in addition to 0.1300 of a Total Common Share, as set out in the Original Offer), which increases the value of the Offer to holders of Savanna Common Shares and the premium that the consideration offered by Total Energy represents when compared to the \$1.45 per share price at which Savanna Common Shares were issued in connection with the Highly Dilutive Refinancing.

Based on the Pre-Announcement Total Common Share Price, the 0.1300 exchange ratio and after taking into account the additional cash consideration payable under the Offer, the Offer consideration represents an implied Savanna Common Share price of \$1.94. This equates to a 34% premium to the \$1.45 per Savanna Common Share issuance price the Savanna Board agreed to as part of the Highly Dilutive Refinancing, a 32% premium to the closing price of the Savanna Common Shares on November 23, 2016, prior to Total Energy announcing its intention to proceed with a take-over bid, and a 15% premium to the closing price of the Savanna Common Shares on December 8, 2016.

Total Energy stands by the Offer as providing full and fair value for the Savanna Common Shares. Under the new take-over bid rules in force in Canada, the Savanna Board has 105 days from the date of the Offer to identify and present to Savanna Shareholders any superior proposals. The fact that Total Energy publicly announced its intention to make an offer to Savanna Shareholders more than two weeks before the Offer has provided the Savanna Board even more time to explore strategic options.

Of interest is the fact that Peters & Co. Limited noted (in its opinion to the Savanna Board) that it acted as financial advisor to Savanna "in connection with an undisclosed advisory mandate, the term of which expired on March 31, 2016." Given the proximity in time to the Offer, Total Energy would expect Savanna to provide full disclosure as to the scope and outcome of this engagement unless, of course, the outcome of such engagement was not supportive of the narrative being advanced by the Savanna Board in response to the Offer.

If successful, the Savanna Board is correct that there would be a change of control insofar as the Total Board would displace the Savanna Board and assume responsibility and oversight over Savanna's business and affairs. Based on the respective track records of Total Energy and Savanna under the guidance and direction of the current boards of directors of each company, the Offer represents a unique opportunity for Savanna Shareholders to benefit from the consistent and exemplary stewardship demonstrated by the Total Board.

***Savanna's Assertion:*** *"The trading price of the Savanna Common Shares has been hindered relative to Savanna's public market peers as a result of the Offer."*

**Total Energy's Response:** Total Energy disagrees with this assertion. Total Energy is of the view that the public equity market's reaction is consistent with Total Energy's assessment that the Offer is fair and reasonable. Further, Total Energy believes the substantial dilution suffered by Savanna Shareholders as a result of the Savanna



Board's decision to complete the Highly Dilutive Refinancing is a more reasonable explanation for any alleged market underperformance by Savanna, as evidenced by the immediate reaction of Savanna's share price to the announcement of the Highly Dilutive Refinancing and to Total Energy's announced intention to make a take-over bid as described above. See "Section 2 of this Notice of Change and Variation", for additional detail with respect to the Highly Dilutive Refinancing.

**Savanna's Assertion:** *The Offeror states the holders of Common Shares who have entered into the Soft Support Agreements may terminate their obligations under the Soft Support Agreements to permit them to tender their Common Shares to a competing transaction offered to Shareholders that represents a higher value transaction to Shareholders than the Total Offer, "provided the Offeror is given an opportunity to match the other transaction and declines to do so". The Soft Support Agreements do not provide for an obligation to provide the Offeror with an opportunity to match the other transaction only that, in the event of a transaction that has, in the sole opinion of the Soft Support Shareholder, acting reasonably and in accordance with its fiduciary duties, terms more favorable to the Soft Support Shareholder than the Total Offer, the Soft Support Agreements terminate if Total has not publicly announced its intention to amend the terms of the Total Offer in order to match or exceed the consideration to be received by the announcement of such other transaction.*

**Total Energy's Response:** Total Energy believes this statement highlights a distinction without a difference. Each of the Lock-up Agreements provides that the termination right afforded to the applicable Savanna Shareholder may only be exercised, in relation to a competing Savanna acquisition proposal, if Total Energy does not announce its intention to match or exceed the consideration to be received by Savanna Shareholders under the competing proposal within 7 days after the first public announcement of the competing proposal. The various Lock-up Agreements have been filed on SEDAR (under Savanna's profile); the termination provisions are set out in section 6 of each Lock-up Agreement, which reads, in part, as follows:

" ... this Agreement may be terminated by the Shareholder upon notice to Total: ... (C) if (i) Savanna receives or is the subject of a publicly announced, bona fide written Acquisition Proposal (as defined below in this section 6) to acquire not less than all of the outstanding Savanna Shares or all or substantially all of the assets of Savanna on a consolidated basis (a "Specified Acquisition Proposal") that has, in the sole opinion of the Shareholder, acting reasonably and in accordance with its fiduciary duties, terms more favorable to the Shareholder (taking into account relevant financial, legal, regulatory and other aspects of such proposal) than the Offer, (ii) the Shareholder is in compliance with all of its obligations under this Agreement, and (iii) *Total has not publicly announced its intention to amend the terms of the Offer in order to match or exceed the consideration to be received by the shareholders of Savanna under the Specified Acquisition Proposal within 7 days after the first public announcement of the Specified Acquisition Proposal.* [Emphasis added]."

"As used in this Agreement, "Acquisition Proposal" means, in relation to Savanna, any written or oral offer, proposal, inquiry or request for discussions or negotiations received from any person or group of persons acting jointly or in concert (excluding Total) relating to any:

- (a) merger, amalgamation, business combination, take-over bid, tender offer, arrangement, consolidation, recapitalization, reorganization, liquidation, dissolution, winding up, distribution or share exchange involving Savanna or one or more of its affiliates (or any combination of them);
- (b) sale of assets of Savanna or one or more of its affiliates (or any combination of them) representing 20% or more of the consolidated assets of Savanna or that contribute 20% or more of the consolidated revenue of Savanna (or any lease, long-term supply agreement, joint venture agreement or other arrangement having a similar economic effect);
- (c) direct or indirect take-over bid, issuer bid, exchange offer, treasury issuance or similar transaction, that, if consummated, would result in a person, or persons acting jointly or in concert, beneficially owning 20% or more of any class of voting or equity securities or any other equity interests (including securities convertible into or

exercisable or exchangeable for equity interests) of Savanna or one or more of its affiliates; or

- (d) other transaction, the consummation of which would reasonably be expected to impede, interfere with, prevent or delay the Combination; or
- (e) proposal or offer or public announcement or other public disclosure of an intention to do any of the foregoing, directly or indirectly, excluding, in each case, the Combination, but including, for greater certainty, any modification or proposed modification to any Acquisition Proposal."

In short, each Lock-up Agreement contemplates that Total Energy will have an opportunity to match any competing acquisition proposal before termination rights may be exercised by the applicable Savanna Shareholder.

### **3. VARIATIONS AND AMENDMENTS TO THE ORIGINAL OFFER AND CIRCULAR AND SUPPLEMENTAL INFORMATION**

In the Directors' Circular, Savanna has alleged that there are various inconsistencies and/or misleading statements in the Original Offer and Circular. This section specifically addresses various statements made by Savanna in the Directors' Circular, sets out certain amendments to the Original Offer (which are in addition to those noted in Section 1 above) and updates and supplements information in the Original Offer and Circular. Savanna's assertions from the Directors' Circular are reproduced verbatim below (the defined terms in the reproduced text are from the Directors' Circular and defined therein) and Total Energy's responses follow. Certain amendments to the Original Offer and Circular, not intended to respond to the Directors' Circular, are also noted below in this section. To the extent the Original Offer and Circular is varied or amended by any of the responses below, those changes have been noted in bold.

#### **(a) ADDITIONAL AMENDMENTS TO THE ORIGINAL OFFER**

- ***Savanna's Assertion:*** *The Total Offer incorrectly states that if the Total Offer is varied by the waiver of a condition of the Total Offer that a notice of variation is not required and that in such case only the issuance and filing of a news release announcing the waiver is required. The Total Offer further provides that, as the waiver of a condition does not require a notice of variation, the period for deposit of Common Shares under the Total Offer, as varied, also does not need to be extended so it does not expire before 10 days before the date of the notice of variation. This exception for the waiver of a condition only applies where the consideration offered consists solely of cash. Under applicable securities law, the waiver of a condition when the consideration does not consist solely of cash (as in the case of the Total Offer) requires, among other things, the sending of a notice of variation and the period during which Common Shares may be deposited under the Total Offer as so varied, must not expire before 10 days after the date of the notice of variation.*

**Total Energy's Response:** Total Energy intends to conduct the Offer in accordance with applicable laws. If the Offer is varied by the waiver of a condition of the Offer, Total Energy will issue a news release in the manner required by applicable Canadian Securities Laws and send a notice of variation to every Person to whom the Offer was required to be sent under applicable Canadian Securities Laws. Furthermore, Total Energy will extend the Expiry Date in accordance with applicable Canadian Securities Laws if the Expiry Date would otherwise occur prior to 10 days from the date of the notice of variation.

**The Original Offer and Circular is hereby amended, in Section 5 of the Original Offer and Circular, "Acceleration, Extension and Variation of the Offer" (found on pages 24 to 26 thereof), by deleting the second paragraph on page 25 and replacing it with the following:**

"If, before the Expiry Time or after the Expiry Time but before the expiry of all rights of withdrawal with respect to the Offer, the terms of the Offer are varied, including any reduction of the period during which securities may be deposited under the Offer, or any extension of the period during which

securities may be deposited under the Offer, and whether or not such variation results from the exercise of any right contained in the Offer, the Offeror will, to the extent required by applicable Canadian Securities Laws, promptly (a) issue and file a news release in the manner required by applicable Canadian Securities Laws, and (b) send a notice of variation, in the manner set out in Section 9 of the Offer, "Notice and Delivery", to every Person to whom the Offer is required to be sent under applicable Canadian Securities Laws and whose Savanna Common Shares were not taken up before the date of the variation. If there is a variation, the period during which Savanna Common Shares may be deposited under the Offer will not expire before ten (10) days after the date of the notice of variation. If the Offeror is required to send a notice of variation before the expiry of the initial deposit period for the Offer, such initial deposit period will not expire before ten (10) days after the date of the notice of variation, and the Offeror must not take up Savanna Common Shares deposited under the Offer before ten (10) days after the date of the notice of variation. In addition, the Offeror will file a copy of such notice with applicable Canadian Securities Regulatory Authorities and will, as soon as practicable thereafter, provide a copy of such notice (in the manner required by applicable Canadian Securities Laws) to the Persons entitled to receive it under applicable Canadian Securities Laws. Any notice of variation of the Offer will be deemed to be dated as of the date it was sent to all or substantially all of the persons entitled to receive it under applicable Canadian Securities Laws."

**The Original Offer and Circular is hereby further amended, in Section 8 of the Original Offer and Circular, "Right to Withdraw Deposited Savanna Common Shares" (found on pages 28 to 29 thereof), by deleting paragraph (b)(ii) on page 28 and replacing it with the following:**

"(ii) a notice of variation concerning a variation in the terms of the Offer (other than a variation in the terms of the Offer consisting solely of an increase in the consideration offered for the Savanna Common Shares under the Offer where the Expiry Time is not extended for a period greater than ten (10) calendar days);".

- **Savanna's Assertion:** *The Total Offer incorrectly provides that, upon the terms and subject to the satisfaction or waiver by Total of the conditions of the Total Offer, Total will take up Common Shares not later than 10 calendar days after the Expiry Time. Under applicable securities laws, Total must, in such case, immediately take up Common Shares deposited under the Total Offer.*

**Total Energy's Response:** Total Energy intends to conduct the Offer in accordance with applicable laws. Total Energy confirms that upon the terms and subject to the satisfaction or waiver by Total Energy of the conditions of the Offer, Total Energy will immediately take up Savanna Common Shares deposited under the Offer.

See Section 1 above for the particulars of amendments to Section 6 of the Original Offer and Circular, entitled "Take-Up and Payment for Deposited Savanna Common Shares". The Original Offer and Circular is hereby amended, in the section entitled "Frequently Asked Questions", in response to the question "If I accept the Offer, when will I receive the consideration for my Savanna Common Shares?", and under the heading "Take-Up and Payment for Deposited Savanna Common Shares" in the Summary Section of the Original Offer and Circular, (found on page 11 thereof), by deleting the phrase "not later than 10 calendar days after the Expiry Time" and replacing it with "immediately".

The Original Offer and Circular is also hereby amended, in Section 5 of the Original Offer and Circular, entitled "Acceleration, Extension and Variation of the Offer" (found on pages 24 to 26 thereof) in the first paragraph under the heading "Mandatory Extension Period" (on page 26), by deleting the phrase "ten (10) Business Days after the date of such announcement" and replacing it with "ten (10) calendar days after the date of such announcement".

(b) **ADDITIONAL AMENDMENTS TO THE ORIGINAL OFFER AND CIRCULAR**

- **Savanna's Assertion:** *The cover page of the Total Circular contains two different names for the Offeror: Total Energy Services Ltd. and Total Energy Services Inc.*

**Total Energy's Response:** As noted throughout the Original Offer and Circular, the Offeror is Total Energy Services Inc., which is a corporate successor to Total Energy Services Ltd. During the commercial printing process, the printing company inadvertently used the incorrect logo on the cover page of the Original Offer and Circular.

**The logo on the cover page of the Original Offer and Circular is hereby deleted and replaced with the following:**



- **Savanna's Assertion:** *Total indicates the market capitalization of the combined entity is expected to be in excess of \$550 million on page 9 of the Total Circular and \$600 million on page 39 of the Total Circular.*

**Total Energy's Response:** The market capitalization of the combined entity is expected to be in excess of \$600 million. **The statement in the Summary Section under the heading "Reasons to Accept the Offer" on page 9 of the Original Offer and Circular with respect to the anticipated market capitalization of the combined entity is hereby deleted and replaced with the following: "Liquidity of Consideration.** The market capitalization of the combined entity is expected to be in excess of \$600 million, which should provide greater capital markets relevance and public liquidity."

- **Savanna's Assertion:** *In Section 23 of the Total Circular, Total estimates the aggregate amount of expenses to be incurred by it in connection with the Total Offer, including legal, financial advising, accounting, filing and printing costs, the depositary fees, the information agent fees, the cost of preparation and mailing of the offer and fees or expenses in connection with any compulsory acquisition or subsequent acquisition transaction with respect to the Common Shares, is approximately \$1.3 million. However, for purposes of the Pro Forma Financial Statements, Total uses the amount of \$6.4 million as its expenses and specifically states this amount excludes Savanna's expenses in connection with the Total Offer. The listing of expenses in Section 23 of the Total Circular appears to be exhaustive and the difference in reported expenses between the two is material. It is unclear what Total's actual estimated expenses in connection with the Total Offer are, which estimate is required by applicable securities law to be disclosed in the Total Circular.*

**Total Energy's Response:** Expenses of the Offer of \$1.3 million, as disclosed on page 65 of the Original Offer and Circular, included legal, financial advisory, accounting, filing and printing costs, depositary fees, information agent fees, the cost of preparation and mailing of the Offer and Circular and similar expenses that Total Energy expected to incur in connection with the Offer, regardless of whether the Offer is successful. The \$6.4 million figure set out in Note 2(b) to the pro-forma unaudited consolidated financial statements in Annex A to the Original Offer and Circular (the "**Bid Circular Pro-Forms**"), included the \$1.3 million of estimated Total Energy costs noted above in this paragraph and an additional \$5.1 million in estimated change of control payments to the named officers of Savanna and other change of control costs that, Total Energy understands, will become payable under certain of Savanna's equity based compensation arrangements in the event the Offer is successful. The Savanna change of control obligations were not included in Total Energy's estimates of the expenses (namely, \$1.3 million) it expected to incur in relation to the Offer.

Annex A to this Notice of Change and Variation contains revised unaudited pro-forma consolidated financial statements (the "**Updated Pro-Forms**") that give effect to the Highly Dilutive Refinancing and which have been updated to reflect the increased consideration offered by Total Energy for Savanna Common Shares and to provide additional detail relating to certain expenses, including updated change of control payments that may become owing to Savanna personnel in the event the Offer is successful. The estimated costs set out in the Updated Pro-Forms have increased to \$9 million from the prior estimate of \$6.4 million; **the majority of the increase of approximately \$2.6 million is attributable to increased severance payments to named executive officers of Savanna that were disclosed by Savanna (in the Directors' Circular), subsequent to the Offer being made.** All estimates have been made based on publicly available information (as of the date of the Original Offer in the case of the Bid Circular Pro-Forms and as of January 11, 2017 in respect of the Updated Pro-Forms) and are subject to change if, and when, additional relevant information becomes available to Total Energy. The increase also takes into account Total Energy's revised estimate of its transaction costs of \$2.4 million. Total Energy's estimate of such expenses has increased as a result of amending the Offer to increase the consideration to be paid for Savanna Common Shares taken-up under the Offer and the various legal, accounting, printing and mailing costs arising therefrom, as well as having to respond to and deal with unanticipated complaints to securities regulatory authorities and to obstructionist behavior by Savanna in respect of the Offer.

The estimated costs do not include legal, financial advisory, accounting, filing and printing costs, information agent fees, the cost of preparation and mailing of Savanna's filings and similar expenses that Savanna might incur in connection with the Offer.

- **Savanna's Assertion:** *Total filed a document entitled "Notice to Readers" on SEDAR under Savanna's profile on December 15, 2016 advising of an error in the Total Circular in that Total erroneously referred to the increase in Total net debt at 27% instead of 86%. This information was not press released by Total nor, to Savanna's knowledge, was this information sent to Shareholders. The comparison of the increase in net debt by each of Total and Savanna is included as one of the comparative metrics that Total provides in the Total Circular as a reason that Shareholders should accept the Total Offer. Pursuant to applicable securities laws, if there is a change in information in the Total Circular that would reasonably be expected to affect the decision of Shareholders to accept or reject the Total Offer, Total must promptly issue and file a news release and send a notice of change to every person to whom the Total Offer was required to be sent and whose securities were not taken up before the date of the change. The failure to do so when required is a breach of applicable securities laws.*

**Total Energy's Response:** The information contained in the "Notice to Readers" document is not considered material by Total Energy nor is the typographical error in the Original Offer and Circular of a nature that would reasonably be expected to affect the decision of Savanna Shareholders to accept or reject the Offer. Having regard to the immaterial nature of this correction, Total Energy was not required under applicable Canadian Securities Laws to file a notice of change or news release in respect of the correction and Total Energy did not consider it necessary to take additional steps, at the time the "Notice to Readers" was filed, to highlight the correction (beyond the filing of the "Notice to Readers" document on SEDAR).

As noted in the "Notice to Readers", the table describing the comparative capital stewardship record of Total Energy (and its predecessors) and Savanna from October 1, 2005 through September 30, 2016 (on Pages 8 and 37 of the Original Offer and Circular), contains a typographical error. The "Increase in net debt, %" of Total Energy in each such table erroneously refers to "27%" and should instead be read to refer to "86%".

**All references to Total Energy's increase in net debt of "27%" in the Original Offer and Circular, as set out in the Comparative Capital Stewardship Record – Snapshot table (found on pages 8 and 37 in the Original Offer and Circular) are hereby deleted and replaced with "86%". A reproduction of this table, updated to correct the typographical error, is set out on page 26 of this document.**

The back page of the Original Offer and Circular incorrectly includes a reference to the Letter of Transmittal. **The Original Offer and Circular is hereby amended by deleting the phrase "Letter of Transmittal and the Offer and Circular" on the back page of the Original Offer and Circular and by substituting the words "Offer and Circular and the Letter of Transmittal".**

**Annex B of the Original Offer and Circular incorrectly refers to the "Notes to Comparative Capital Stewardship Record Tables Appearing on Pages 8 and 36" of the Original Offer and Circular and is hereby amended to delete the reference to "Pages 8 and 36" and replace it with "Pages 8 and 37".**

(c) **SUPPLEMENTAL INFORMATION TO THE ORIGINAL OFFER AND CIRCULAR AND RELATED AMENDMENTS**

- **Savanna's Assertion:** *The percentage of Total Shares held by the holders who have entered into the Soft Support Agreements is materially overstated as they do not take into account the effect of the completion of the Financings, the details of which were publicly known prior to the date of the Total Circular. See "Principal Holders of Common Shares of Savanna".*

**Total Energy's Response:** Total Energy categorically disagrees with the assertion in the Directors' Circular that the percentage of Savanna Common Shares held by holders who have entered into a lock-up agreement with Total Energy was "materially overstated" (Total Energy assumes the reference to "Total Shares" on page 37 of the Directors' Circular is a typographical error and Savanna intended to reference "Savanna Shares"). The 43% and 44% figures noted in the Original Offer and Circular were accurate as at the date of that document and Total Energy made it very clear that the 43% and 44% figures were stated before giving effect to the Highly Dilutive Refinancing. As at the time of approval of the Original Offer and Circular by the Total Board, the Highly Dilutive Refinancing announced by Savanna on November 22, 2016 had not closed and it was unclear whether the overallotment option associated with the Savanna prospectus offering would be exercised and, if exercised, whether it would be exercised in whole or in part. It was also unclear to Total Energy, at the time, whether any of the Locked-Up Shareholders would participate in the Highly Dilutive Refinancing. Total Energy is of the view that no one who reads the Original Offer and Circular could possibly be misled with respect to the 43% and 44% figures and readers who wish to determine the effect of any treasury issuance of Savanna securities (subsequent to December 9, 2016) on those 43% and 44% figures can readily do so.

After giving effect to the Highly Dilutive Refinancing completed by Savanna on December 13, 2016, the Locked-Up Shareholders held or exercised control or direction over approximately 34% of the issued and outstanding Savanna Common Shares (calculated on an undiluted basis) at that time. On February 9, 2017, Franklin Resources, Inc. filed an alternative monthly report, which set out information concerning the acquisition of Savanna Common Shares by one or more affiliated investment managers. Based on that report, Total Energy believes that one or more affiliated investment managers of Franklin Templeton hold 22,745,377 Savanna Common Shares, representing approximately 19.24% of the total number of issued and outstanding Savanna Common Shares. Total Energy estimates that the number of Savanna Common Shares held, in aggregate, by all Locked-Up Shareholders (or over which Locked-Up Shareholders exercise control or direction) represents approximately 40% of the total number of issued and outstanding Savanna Common Shares as at February 10, 2017.

- **Savanna's Assertion:** *The Total Circular states that Total believes that meaningful synergies and cost efficiencies can be achieved through a combination with Savanna and estimates that at least \$10 million of annual cost savings can be realized over time.*
  - *No disclosure is provided as to how long Total expects it will take in order to realize such cost savings nor is a viable justification for such cost savings provided.*

- *There is minimal overlap in operations between Savanna and Total. Savanna's drilling and well servicing operations accounted for 94% of total revenue for the nine months ended September 30, 2016 while Total's drilling segment accounted for only 5% of total revenue over the same period. The minimal overlap is in the rentals business (Savanna has only 23 employees in this division) and the drilling business (Savanna believes Total has less than 10 non-field employees in this division).*
- *Little cost savings will be expected with real estate in the combined entity as Savanna sold its redundant real estate in 2015 and, given the operational differences, management of Savanna believes there is very little overlap in real estate between the two companies.*
- *For the nine months ended September 30, 2016, Savanna's general and administrative expense (see "Non-IFRS Measures") was 8.5% of its revenue while Total's was 11.7%. Given the significant reduction in Savanna's general and administrative expense over the past 24 months (estimated annualized field office and general and administrative cost savings of over \$70 million relative to Savanna's 2014 exit run-rate, and annualized cost savings of nearly \$17 million relative to Savanna's significantly reduced 2015 exit run-rate), management of Savanna believes it would be difficult to reduce these expenses in any material amount.*

**Total Energy's Response:** The Total Board believes that consolidation within the North American energy services industry is required in order to better compete in an increasingly global, diversified and competitive energy market. The difficult industry conditions experienced over the past two years has exposed overcapacity, inefficiency and excess indebtedness within the North American energy services industry and has served to reinforce the need for consolidation under experienced and disciplined management that is aligned with shareholders through meaningful equity ownership. The Total Board believes that the acquisition of Savanna on the terms offered by Total Energy represents a unique opportunity to achieve industry consolidation and various economies and efficiencies of scale in a transaction that benefits the shareholders of both Total Energy and Savanna. The Total Board and management of Total Energy believe that the transaction will (i) reduce corporate overhead costs; (ii) result in operating cost savings through economies of scale and operating synergies and efficiencies (including operational efficiencies that will be derived by Savanna having access to Total Energy's significant real estate infrastructure); (iii) result in sales and marketing synergies and efficiencies; and (iv) allow the combined entity to refinance debt at a lower cost, including the \$107 million of outstanding Savanna Senior Notes. Total Energy has not had access to non-public information of Savanna and without access to such information is not in a position to provide a reasonable timetable as to the realization of such expected transaction benefits. The foregoing statements are based on publicly available information as at the date of this Notice of Change and Variation and Total Energy's management's experience and judgment. Upon completion of the acquisition of Savanna, the Total Board and management of Total Energy are committed to continuing to exercise the focus and discipline that are required to ensure shareholders of Total Energy, both existing and new, will benefit from this transaction going forward. See "Section 4 of the Original Circular, "Reasons to Accept the Offer".

- ***Savanna's Assertion:*** *Total fails to disclose its plans for repayment of the Second Lien Facility or to even provide a risk factor relating to the requirement to immediately repay approximately \$111 million which will become due and payable pursuant to the Second Lien Facility upon the take up under the Total Offer in the event that AIMCo does not consent to the resulting change of control. Total also fails to disclose the requirement to make an offer to holders of \$107.1 million of outstanding Senior Notes upon the change of control at 101% of the aggregate principal amount of Senior Notes repurchased plus accrued and unpaid interest thereon as well as its plans for payment for the Senior Notes. Such change of control offer would cost approximately \$1.07 million more than Savanna's current plan to repurchase the Senior Notes for par after May 25, 2017.*

**Total Energy's Response:** On December 13, 2016, Savanna closed the Highly Dilutive Refinancing, including a \$200 million second lien senior secured credit facility with AIMCo (the "**AIMCo Debt Facility**"), which also involved the distribution of an aggregate of 7 million Savanna common share

purchase warrants to AIMCo (having an exercise price of \$2.50 per Savanna Common Share and an expiry date of December 13, 2018) and the private placement of 13 million Savanna Common Shares to AIMCo at a price of \$1.45 per Savanna Common Share for gross proceeds of \$18.85 million. The credit agreement entered into between Savanna and AIMCo in relation to the AIMCo Debt Facility (the "**Savanna Credit Agreement**") provides, among other things, that, in the event of a change of control of Savanna that occurs within 6 months of the date of closing of the AIMCo Debt Facility, AIMCo may, if it has not consented to the change of control: (i) terminate its obligation to loan further funds to Savanna; and (ii) declare all amounts loaned to Savanna under the AIMCo Debt Facility (which, based on Savanna's publicly filed documents, currently amount to \$105 million) to be due and payable. If AIMCo exercises those rights following a change of control of Savanna that AIMCo has not consented to (and which occurs within 6 months of the date of closing of the AIMCo Debt Facility), Savanna will also be required, under the Savanna Credit Agreement, to pay to AIMCo an amount equal to \$6 million, representing 3% of the amount committed under the AIMCo Debt Facility.

In its November 28, 2016 news release and in the Directors' Circular, Savanna indicated that AIMCo would not consent to the change of control of Savanna that will result from the successful completion of the Offer. To the knowledge of Total Energy, AIMCo itself has not made a public statement with respect to the exercise of change of control rights under the Savanna Credit Agreement specifically in respect of the Offer and Total Energy has not yet had an opportunity to confirm with AIMCo its intentions with respect to Savanna if the Offer is successfully completed. Total Energy hopes to meet with representatives of AIMCo to obtain clarification in that regard. Among other things, Total Energy wishes to determine whether the position attributed to AIMCo by Savanna, in the November 28, 2016 news release disseminated by Savanna and in the Directors' Circular, represents a considered, final position of AIMCo or an effort on the part of AIMCo to preserve all rights under the Savanna Credit Agreement and not be seen to have implicitly waived the application of the change of control provisions included in the Savanna Credit Agreement by closing the AIMCo Debt Facility in the face of a known change of control possibility.

Total Energy understands that the agreements governing approximately \$107.1 million of senior unsecured notes of Savanna (the "**Savanna Senior Notes**") also contain change of control provisions, which will require Savanna to offer to purchase the outstanding Savanna Senior Notes following a change of control of Savanna, at a price equal to 101% of the aggregate principal amount of the outstanding Savanna Senior Notes, plus accrued and unpaid interest. Total Energy will also look to meet with representatives of the holders of the Savanna Senior Notes to determine whether those noteholders will exercise change of control rights if the Offer is successfully completed.

If the Offer is successfully completed and AIMCo determines to exercise rights available to it under the Savanna Credit Agreement to require repayment of amounts outstanding under the AIMCo Debt Facility, Total Energy expects that it will need to arrange financing to fund the repayment by Savanna of those amounts. As well, if the Offer is successfully completed and the holders of Savanna Senior Notes determine to exercise rights available to them to require Savanna to repurchase the outstanding Savanna Senior Notes, Total Energy expects that it will need to arrange financing to fund the purchase of the Savanna Senior Notes by Savanna. Total Energy has had preliminary discussions with and has received indicative term sheets from various sources of financing and believes that funding ("**Replacement Financing**") sufficient to enable it to fund the repayment of amounts outstanding under the AIMCo Debt Facility and the repurchase of the Savanna Senior Notes, as noted above, is available on acceptable terms to Total Energy. **Accordingly, the Offer is not subject to a financing condition, as noted in the Original Offer and Circular.** To date, Total Energy has not entered into any definitive commitments with respect to the Replacement Financing and will not do so unless and until it is determined by Total Energy that Replacement Financing is necessary or desirable. However, there can be no assurance that the Replacement Financing will be available on terms acceptable to Total Energy.



**The Original Offer and Circular is hereby amended by adding the following under the heading "Risk Factors" in Section 28 of the Original Circular:**

*"Access to Additional Financing*

Total Energy may find it necessary or desirable in the future to obtain additional debt or equity to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. While Total Energy currently expects to have access to sufficient financing on acceptable terms, there can be no assurance that additional financing, including the Replacement Financing, will be available to Total Energy when needed or on terms acceptable to Total Energy. Total Energy's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit Total Energy's growth and may have a material adverse effect upon Total Energy and its subsidiaries."

**The Original Offer and Circular is hereby amended by adding (in alphabetical order) the following definition in the "Glossary" Section of the Original Circular:**

**"Replacement Financing"** means the financing that may be required by Total Energy to enable it to fund the repayment of amounts outstanding under the AIMCo Debt Facility and the repurchase of the Savanna Senior Notes if the Offer is successful;"

- **Savanna's Assertion:** *The Pro Forma Financial Statements contain misleading information.*
  - *The Pro Forma Financial Statements have not adjusted for, and do not take into account, the impact of the Financings, including the Common Shares issued pursuant to the Financings which would be exchanged pursuant to the Total Offer if successful. The Pro Forma Financial Statements are inconsistent with the disclosure elsewhere in the Total Circular where Total states that it expects to issue approximately 15,607,637 Total Shares pursuant to the Total Offer. This number includes the Total Shares that will be issued for Common Shares issued pursuant to the Financings.*
  - *A write-down of assets of approximately \$314 million is provided for without providing any basis for the write-down. The assets acquired in a business combination are to be valued at their fair value with any residual recorded as goodwill or a bargain purchase option (i.e. negative goodwill). Management of Savanna believes the net book value of its property and equipment at September 30, 2016 approximates its fair value after rigorous impairment tests were completed as part of the preparation of its December 31, 2015 and 2014 audited financial statements. The write-down of \$314 million of Savanna's property and equipment, as indicated in the Pro Forma Financial Statements, would unlikely be attributable to Savanna's assets and does not represent the fair value of Savanna's property and equipment at September 30, 2016. Management of Savanna believes the inclusion of this asset write-down in the Pro Forma Financial Statements further indicates that the Total Offer substantially undervalues Savanna's assets.*

**Total Energy's Response:** See Annex A to this Notice of Change and Variation for the Updated Pro-Formas. The Updated Pro-Formas also provide additional detail relating to the various expenses associated with the Offer and, among other things, indicate that the pro-forma expenses include change of control payments that may become owing to Savanna personnel in the event the Offer is successful. As stated on page A-6 (paragraph 2(a)) of the Original Offer and Circular, as of December 9, 2016, the estimated aggregate number of Total Common Shares to be issued under the Offer was 11,974,137. This number was based on assumptions that there were (i) 90,251,243 Savanna Common Shares issued and outstanding (based on the representation of Savanna contained in its underwriting agreement dated November 28, 2016 (available on SEDAR)) and (ii) an estimated 1,857,504 in-the-money Savanna stock options outstanding (based upon Savanna public disclosure materials), each at the time of the Offer. In light of the foregoing, upon successful completion of the Offer, the maximum aggregate

number of Total Common Shares to be issuable under the Offer was estimated, as of the date of the Original Offer and Circular, to be 11,974,137  $((1,857,504 + 90,251,243) \times 0.13)$ .

For purposes of the Offer, Total Energy used an ascribed price of \$13.40 for each Total Common Share, which was based on the volume weighted average price of the Total Common Shares on the TSX for the five trading days following November 23, 2016, the date Total Energy announced its intention to make the Offer. The total estimated dollar value of the consideration payable by Total Energy under the Offer was determined by multiplying the maximum aggregate number of Total Common Shares estimated to be issued by Total Energy under the Offer (11,974,137) by the ascribed Total Common Share price of \$13.40 per share, which yields an estimated dollar value of \$160.5 million.

Readers should note that the actual consideration may differ materially from this estimate, including as a result of changes in the market price of the Total Common Shares.

As stated on page A-6 of the Original Offer and Circular, Total Energy intends to account for the transaction contemplated by the Offer using the purchase method, whereby the assets (including PP&E) and liabilities assumed will be recorded at their fair values as determined by the market. As of the date the Offer was made by Total Energy and since that time, management of Total Energy has not been in a position to undertake a comprehensive analysis of the fair value of Savanna's assets and liabilities since Total Energy has not had access to the non-public books and records of Savanna (including listing or maintenance records for equipment owned by Savanna) or physical access to Savanna equipment, and Total Energy is not in a position to independently assess or verify certain of the information in Savanna's publicly filed documents, including its financial statements.

For the purposes of the Bid Circular Pro-Formas and the Updated Pro-Formas, the fair value of individual Savanna balance sheet items was estimated by Total Energy as noted below. It is important to note that in determining the fair values of Savanna's assets and liabilities, significant estimates and judgments have been applied. Total Energy expects that it will update its estimates of fair value for Savanna's assets and liabilities if and when it obtains access to the detailed non-public information of Savanna (if and when the Offer is successfully completed). Any such updated estimates may be materially different from the estimates used in the Bid Circular Pro-Formas and Updated Pro-Formas.

Savanna's September 30, 2016 book value was estimated to be fair value, for the following accounts: cash and cash equivalents, accounts receivable, inventory, income taxes receivable, prepaid expenses and deposits, accounts payable and accrued liabilities, income taxes payable, current portion of long-term debt, deferred revenue – long-term, long-term debt, and obligations under finance leases.

To estimate the fair value of property, plant and equipment (PP&E), in the absence of detailed information (lists, physical assets, maintenance records etc.) necessary to perform a precise determination of the fair values and in the context of the unsolicited take-over bid, a market approach was utilized, whereby reference was given to how the open efficient market values Savanna as an enterprise.

Total Energy's estimate of the fair value of Savanna's PP&E and, consequently, the amount of the write-down to Savanna's PP&E as indicated in the Bid Circular Pro-Formas and the Updated Pro-Formas, was made with reference to the market value of Savanna's equity (as determined based on the market price of the Savanna Common Shares at the relevant time) and the book value of the Savanna's shareholders' equity (as determined based on Savanna's financial statements as at and for the period ended September 30, 2016 and, for purposes of the Updated Pro-Formas, adjusted to give effect to the Highly Dilutive Refinancing).

Based on the volume weighted closing price of \$1.59 per Savanna Common Share on November 24, 2016, the trading day after Total Energy announced its intention to make the Offer, the fair value of the Savanna Common Shares was approximately \$143 million, as compared to the book value of Savanna's shareholders' equity, as presented in Savanna's financial statements as at and for the period

ended September 30, 2016, of approximately \$460 million. The net difference is a discount of approximately \$317 million. This amount is in line with the adjustment required to arrive at estimated fair values of Savanna's PP&E, as indicated in the Bid Circular Pro-Formas.

Based on the volume weighted average trading price of \$2.10 per Savanna Common Share for the period from January 1 to February 23, 2017, the fair value of the Savanna Common Shares was approximately \$248 million, as compared to the book value of Savanna's shareholders' equity, as presented in Savanna's financial statements as at and for the period ended September 30, 2016 (as adjusted to give effect to the Highly Dilutive Refinancing), of approximately \$499 million. The net difference is a discount of approximately \$250 million. This amount is in line with the adjustment required to arrive at estimated fair values of Savanna PP&E, as indicated in the Updated Pro-Formas.

Total Energy expects to update its estimates if and when Total Energy obtains access to the detailed non-public information, and physical access to Savanna's property, plant and equipment, necessary to undertake a detailed and conclusive determination of the fair values; the results of such determination might yield materially different values than those disclosed in the Bid Circular Pro-Formas and the Updated Pro-Formas.

The assessment of fair value of the non-controlling interest has not been completed at this time.

The purchase price allocation has been determined from limited information that was available to the management of Total Energy as at February 23, 2017 and, in the context of an unsolicited take-over bid, is subject to change; the purchase price allocation that will be calculated following successful completion of the Offer might be materially different from the values set out in the Updated Pro-Formas. Although Total Energy does not have a reason to believe so, there may be undisclosed assets and liabilities of Savanna that could have a material impact on the determination of fair values of Savanna's assets and liabilities and the resulting purchase price allocation. As stated on page A-7 of the Original Offer and Circular, the allocation of the purchase price to the assets and liabilities of Savanna will be finalized after the Offer is successfully completed and the fair values of the assets (including PP&E) and liabilities have been determined.

Note 2(c) of the Updated Pro-Formas states that "a deferred tax asset is not recognized in these unaudited pro forma consolidated financial statements due to uncertainty as to the probability of such asset utilization". It is expected that the acquisition of Savanna Common Shares as proposed in the Offer will give rise to an additional deferred tax asset. Such additional deferred tax asset, beyond the carrying amount previously recognized by Savanna and shown in the Bid Circular Pro-Formas, is not recognized in the Bid Circular Pro-Formas or Updated Pro-Formas due to uncertainty as to the probability of such asset utilization.

***Savanna's Assertion:** It is a significant condition to the Total Offer that Total shall have obtained the approval of its shareholders to issue the Total Shares to be distributed in connection with the Total Offer. The Total Circular does not disclose the approval threshold required or whether or not any Total Shares are required to be excluded in such vote. The results of the vote will determine whether Total is actually able to acquire any Common Shares pursuant to the Total Offer.*

**Total Energy's Response:** On January 4, 2017, Total Energy received correspondence from the TSX confirming the TSX's conditional approval of the issuance of Total Common Shares under the Offer. One of the conditions of the TSX was approval of the issuance of Total Common Shares under the Offer by the shareholders of Total Energy. A special meeting of Total Energy's shareholders was held on February 15, 2017 (the "**Meeting**") to permit the shareholders to consider and approve the issuance of the Total Common Shares to Savanna Shareholders in connection with the Offer. The management information circular for the Meeting was mailed to the Total Energy shareholders on January 19, 2017 and a copy of the document is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on Total Energy's website at [www.totalenergy.ca](http://www.totalenergy.ca). The issuance of Total Common Shares under the Offer was required (by the TSX) to be approved by greater than 50% of the Total Common Shares voted at the Meeting in person

or by proxy. No votes were required to be excluded at the Meeting in relation to the resolution to approve the issuance of Total Common Shares under the Offer (the "**Issuance Resolution**").

At the Meeting, the Issuance Resolution was approved by 98.07% of votes cast by Total Energy's shareholders (in person and by proxy). 27,442,575 Total Shares, representing approximately 88.75% of the issued and outstanding Total Common Shares, were represented at the Meeting. Accordingly, the condition to the Offer requiring Total Energy shareholder approval has been satisfied.

**Savanna's Assertion:** *On page 27 of the Total Circular, the Offeror states "If the Offeror Common Shares cannot be lawfully delivered to a Person resident in a foreign country without further action, such Offeror Common Shares will be delivered by the Depositary to a broker retained for the purpose of effecting a sale on behalf of such person". This is inconsistent with the disclosure on page 32 of the Total Circular which states the Offeror won't accept deposits from such holders. It is unclear from the Total Circular whether persons resident in foreign jurisdictions will be permitted to tender their Common Shares to the Total Offer, and if they are permitted, what consideration they will receive.*

**Total Energy's Response:** Total Energy is of the view that there is no inconsistency between the statements set out on page 27 of the Original Circular and page 32 of the Original Circular. The statement on page 32 of the Original Circular confirms that the Offer is not extended to any Person resident in a jurisdiction in which the making of the Offer, itself, would be illegal (although Total Energy may take additional steps, in its discretion, to extend the offer to any such Person in a manner that is legal in that Person's jurisdiction of residence). The statement on page 27 of the Original Circular confirms that if the making of the Offer, itself, is not illegal in a jurisdiction, but the delivery of Total Common Shares is not permitted by the laws of such jurisdiction, Total Energy's obligations under the Offer may be satisfied by arranging for the sale of the applicable Total Common Shares in the market on behalf of the affected Person – in essence, that Person will receive cash rather than the Total Common Shares he/she/it would otherwise have received as a result of his/her/its acceptance of the Offer. See "Notice to Savanna Shareholders in the United States" on pages (vi) to (xiv) of this document.

- **Savanna's Assertion:** *In the event a Shareholder receives cash in lieu of Total Shares as described above, the Offeror will not have provided the same consideration to all Shareholders which may be contrary to applicable securities laws.*

**Total Energy's Response:** Total Energy intends to comply with all applicable securities laws in connection with the Offer and, has made a customary application for relief from the identical consideration requirement of applicable Canadian Securities Laws to various securities commissions in Canada. To date, Savanna has been uncooperative in connection with Total Energy's efforts to obtain certain additional shareholder information for purposes of that application and to identify the holders of Savanna Common Shares resident in the U.S. and the number of Savanna Common Shares held by such persons.

- **Savanna's Assertion:** *The Total Circular states the Offeror is relying on an exemption from the registration requirements of the U.S. Securities Act of 1933, as amended, as set out in Rule 802 thereunder. A failure by Total to have complied with certain requirements to avail itself of the exemption may disentitle Total from relying on the Rule 802 exemption. As a result, the Total Offer to Shareholders resident in the United States may be in violation of United States securities laws.*
- **Savanna's Assertion:** *In addition, the Rule 802 exemption is available only if fewer than 10% of the Common Shares are held by residents of the United States. As the report which shows the breakdown by geographic region of the outstanding Common Shares (which report was provided to or was readily available from a reliable source to Total prior to the public announcement of the Offer) indicates over 30% of the Common Shares are held by persons resident in the U.S., the Rule 802 exemption may not be available to Total. If such exemption is not available, the Total Offer to Shareholders resident in the United States is in violation of United States securities laws.*

- **Savanna's Assertion:** *Total has not made the Total Offer available to all Shareholders. Pursuant to the geographical analysis referred to above, over 30% of the Common Shares are held by persons resident in the United States. According to the Total Circular, the Total Offer is not being made in 30 U.S. states, except to persons who are exempt institutional investors in such U.S. states. Total is not treating all Shareholders equally and certain Shareholders are not being given an opportunity to participate in the Total Offer should they choose to.*

**Total Energy's Response:** At the time it announced its intention to make the Offer on November 23, 2016 and at the time it formally commenced the Offer on December 9, 2016, Total Energy determined it was entitled to rely on Rule 802 and was in compliance with applicable United States Securities Laws and, on such basis, the Offer had been made available to all Savanna Shareholders in the United States. While Total Energy continues to believe it is entitled to rely on Rule 802, it has made the necessary filings in the United States to register the Total Common Shares that may be distributed under the Offer to Savanna Shareholders in the United States under the U.S. Securities Act.

See "Notice to Savanna Shareholders in the United States" on pages (vi) to (xiv) of this document.

- **Savanna's Assertion:** *In order for Total to obtain shareholder lists of Savanna, pursuant to National Instrument 54-101 – Communications with Beneficial Owners of Securities, the Offeror is required to identify the purpose for its request and to provide certain undertakings in respect of its use of such shareholder lists. The Offeror has provided several requests for shareholder lists. In the forms delivered to Savanna, Total indicated the purpose for its request was not for a meeting and not for sending materials. To Savanna's knowledge, to date Total has failed to request a shareholder's list for the purpose of conducting a mailing to Shareholders. To Savanna's knowledge, the mailing of the Total Circular to Shareholders, other than registered shareholders of Savanna, utilizing the lists provided based upon the requests provided to Savanna, would be a breach of applicable securities laws.*

**Total Energy's Response:** Total Energy believes that all requests made by it for Savanna Shareholder lists and the stated purposes of such requests were in accordance with applicable corporate and securities laws. Total Energy believes that it has complied with all applicable requirements in respect of the use of the Savanna Shareholder lists.

- **Savanna's Assertion:** *The Offeror states if the Total Offer is accepted by Shareholders who hold not less than 90% of the Common Shares (calculated on a diluted-basis), it intends to acquire the remainder of the Common Shares by way of a compulsory acquisition. As the Total Offer was not made to all Shareholders, Total may not be permitted to use the compulsory acquisition procedures under the ABCA.*

**Total Energy's Response:** Total Energy disagrees with any assertion that the Offer was not made to all Savanna Shareholders. However, as noted on page 51 of the Original Circular, if the Offer is accepted by holders of in excess of 90% of the Savanna Common Shares (calculated on a diluted basis including exercisable or exchangeable Convertible Securities), but the right of Compulsory Acquisition is not available for another reason, Total Energy currently intends to pursue a Subsequent Acquisition Transaction to enable it to acquire all Savanna Common Shares not purchased by Total Energy under the Offer.

#### ***Update on Required Regulatory Approvals***

Total Energy has obtained two of the Required Regulatory Approvals for the Offer, being the Competition Act Clearance and the conditional approval of the TSX to list the Total Common Shares to be distributed under the Offer.

### *Update on Expenses of the Offer*

Total Energy estimates that expenses in the aggregate amount of approximately \$2.4 million will be incurred by Total Energy in connection with the Offer, including legal, financial advisory, accounting, filing and printing costs, Depository fees, Information Agent fees, TSX listing fees for the Total Common Shares issuable under the Offer, registration fees payable to the SEC, mailing costs and fees and expenses associated with any Compulsory Acquisition or Subsequent Acquisition Transaction with respect to the Savanna Common Shares. Total Energy's estimate of such expenses has increased as a result of amending the Offer to increase the consideration to be paid for Savanna Common Shares taken-up under the Offer and the various legal, accounting, translation, printing, mailing and other costs arising therefrom, as well as having to respond to and deal with unanticipated complaints to securities regulatory authorities and to obstructionist behavior by Savanna in respect of the Offer.

#### **4. TIME FOR DEPOSIT**

The Offer is open for acceptance until 11:59 p.m. (Pacific Time) on March 24, 2017 (the "**Expiry Time**") unless the Offer is accelerated or extended by Total Energy or withdrawn by Total Energy. The Expiry Time may be extended by Total Energy in certain circumstances. The deposit period under the Offer may be shortened in certain circumstances, in accordance with applicable Canadian Securities Laws, as a result of actions of Savanna. See Section 5 of the Offer, "Acceleration, Extension and Variation of the Offer". If Total Energy elects or is required to extend the Expiry Time for the Offer, it will publicly announce the new Expiry Time and, if required by applicable Canadian Securities Laws, Total Energy will mail you a copy of the notice of variation.

#### **5. MANNER OF ACCEPTANCE**

Savanna Common Shares may be deposited under the Offer in accordance with the provisions set out in Section 3 of the Offer, "Manner of Acceptance". All Savanna Shareholders who tender their Savanna Common Shares to the Offer will receive the increased consideration per Savanna Common Share, including those Savanna Shareholders who have already validly tendered (and not withdrawn) their Savanna Common Shares under the Offer. **Savanna Shareholders who have already tendered his/her/its Savanna Common Shares to the Offer do not need to do anything further to receive the increased consideration offered by Total Energy for Savanna Common Shares.**

**Savanna Shareholders who have validly deposited under the Offer and not withdrawn their Savanna Common Shares need take no further action to accept the Offer, unless a Savanna Shareholder that is an Eligible Holder wishes to utilize the tax election procedure allowed for in the Amended Letter of Transmittal, in which case, an Amended Letter of Transmittal (duly completed to include the tax election) is required to be submitted by such Savanna Shareholder to the Depository. Failure to provide the Depository with an Amended Letter of Transmittal will prevent a Savanna Shareholder that is an Eligible Holder from making the tax election allowed for in the Amended Letter of Transmittal.**

**Savanna Shareholders who have already validly deposited (and not withdrawn) their Savanna Common Shares under the Offer and who do not submit an Amended Letter of Transmittal to the Depository will be considered to have disposed of a portion of such Savanna Common Shares for Total Common Shares and to have disposed of the remaining portion of such Savanna Common Shares for cash in the proportions described under the heading "Offer Consideration" on page 4 of the Amended Letter of Transmittal. See Section 1 of this Notice of Change and Variation, entitled "Increase to the Offer Consideration" under the subheading "Tax Considerations – Canada – Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Disposition of Savanna Common Shares Pursuant to the Offer – Disposition of Savanna Common Shares Where No Indication to Make a Subsection 85(1) Tax Election".**

#### **6. TAKE-UP AND PAYMENT FOR DEPOSITED SAVANNA COMMON SHARES**

Total Energy will take-up and pay for tendered Savanna Common Shares validly deposited under the Offer and not properly withdrawn in the manner set out in Section 6 of the Offer, "Take-up and Payment for Deposited Savanna Common Shares", as amended by this Notice of Change and Variation.

## **7. RIGHT TO WITHDRAW DEPOSITED SAVANNA COMMON SHARES**

Savanna Shareholders have the right to withdraw Savanna Common Shares deposited under the Offer in the manner set out in Section 8 of the Offer, "Right to Withdraw Deposited Savanna Common Shares", as amended by this Notice of Change and Variation.

## **8. CONSEQUENTIAL AMENDMENTS TO THE ORIGINAL OFFER AND CIRCULAR AND OTHER DOCUMENTS**

The Original Offer and Circular, the Amended Letter of Transmittal, the Letter of Transmittal that accompanied the Original Offer and Circular and the Notice of Guaranteed Delivery should be read together with this Notice of Change and Variation, and to the extent not otherwise set out in this document, the Original Offer and Circular, the Letter of Transmittal that accompanied the Original Offer and the Notice of Guaranteed Delivery are deemed to be amended, as of the date hereof, to give effect to the amendments set out in this Notice of Change and Variation. Except as otherwise set out in or amended by this document, the terms and conditions of the Original Offer and the information in the Original Offer and Circular, the Letter of Transmittal that accompanied the Original Offer (as read in conjunction with the Amended Letter of Transmittal) and the Notice of Guaranteed Delivery continue to be applicable in all respects.

## **9. NOTICE AND DELIVERY**

The Original Offer and Circular, the Letter of Transmittal that accompanied the Original Offer and Circular and Notice of Guaranteed Delivery that accompanied the Original Offer and Circular were, and this Notice of Change and Variation and the accompanying Amended Letter of Transmittal are, being sent to both registered and non-registered owners of securities. If you are a non-registered owner, and Total Energy or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable regulatory requirements from the intermediary holding such securities on your behalf.

## **10. STATUTORY RIGHTS**

Securities legislation in the provinces and territories of Canada provides Savanna Shareholders 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 a notice that is required to be delivered to such Savanna Shareholders. However, such rights must be exercised within prescribed time limits. Savanna Shareholders should refer to the applicable provisions of the Securities Laws of their province or territory for particulars of those rights or consult with a lawyer.

Such rights may in certain cases need to be exercised through CDS or Cede & Co. on behalf of a Savanna Shareholder. Savanna Shareholders should accordingly also contact their broker or other nominee for assistance as required.

## **11. DIRECTORS' APPROVAL**

The contents of this Notice of Change and Variation have been approved and the sending thereof to the Savanna Shareholders and the holders of Convertible Securities has been authorized by the Total Board.

## GLOSSARY

In this Notice of Change and Variation, unless the context otherwise requires or unless defined elsewhere herein, the following terms have the meanings set out below:

"**ABCA**" means the *Business Corporations Act* (Alberta), and the regulations thereunder, as amended from time to time;

"**Acquisition Proposal**" means, in relation to Savanna, any written or oral offer, proposal, inquiry or request for discussions or negotiations received from any person or group of persons acting jointly or in concert (excluding Total Energy) relating to any:

- (a) merger, amalgamation, business combination, take-over bid, tender offer, arrangement, consolidation, recapitalization, reorganization, liquidation, dissolution, winding up, distribution or share exchange involving Savanna or one or more of its affiliates (or any combination of them);
- (b) sale of assets of Savanna or one or more of its affiliates (or any combination of them) representing 20% or more of the consolidated assets of Savanna or that contribute 20% or more of the consolidated revenue of Savanna (or any lease, long-term supply agreement, joint venture agreement or other arrangement having a similar economic effect);
- (c) direct or indirect take-over bid, issuer bid, exchange offer, treasury issuance or similar transaction, that, if consummated, would result in a person, or persons acting jointly or in concert, beneficially owning 20% or more of any class of voting or equity securities or any other equity interests (including securities convertible into or exercisable or exchangeable for equity interests) of Savanna or one or more of its affiliates; or
- (d) other transaction, the consummation of which would reasonably be expected to impede, interfere with, prevent or delay the Offer; or
- (e) proposal or offer or public announcement or other public disclosure of an intention to do any of the foregoing, directly or indirectly, including, for greater certainty, any modification or proposed modification to any Acquisition Proposal;

"**Affiliate**" or "**Affiliates**" in the context of the statutory procedures under the ABCA described in the Original Offer and Circular, includes, in relation to a body corporate, any other corporation that is considered an affiliated corporation of that body corporate for purposes of the ABCA and otherwise includes, in relation to a Person, any other Person that constitutes an affiliate of the first Person for purposes of NI 62-104, and, unless the context requires otherwise, "**Affiliate**" or "**Affiliates**", when used in relation to Savanna, includes all general and limited partnerships in which Savanna has a direct or indirect ownership interest, including a minority interest;

"**AIF**" means the Total Energy annual information form dated March 10, 2016 for the year ended December 31, 2015, and, upon a new annual information form being filed by Total Energy, such new annual information form;

"**AIMCo**" means Alberta Investment Management Corporation;

"**AIMCo Debt Facility**" means the \$200 million second lien senior secured credit facility of Savanna established by Savanna on December 13, 2016;

"**Amended Letter of Transmittal**" means the letter of transmittal, as amended to reflect the amendment and increase of the consideration payable under the Offer set out in this document, in the applicable form accompanying this Notice of Change and Variation;



"**Annual MD&A**" means Total Energy's management's discussion and analysis of results of operations and financial condition for the year ended December 31, 2015, and, upon a new management's discussion and analysis relating to annual financial statements being filed by Total Energy, such new management's discussion and analysis;

"**ARC**" means an Advance Ruling Certificate issued pursuant to subsection 102(1) of the Competition Act;

"**Bid Circular Pro-Formas**" means the pro-forma unaudited consolidated financial statements set out in Annex A to the Original Offer and Circular;

"**Business Day**" means any day of the week, other than a Saturday, a Sunday or a statutory or civic holiday observed in Calgary, Alberta or Toronto, Ontario;

"**CDS**" means CDS Clearing and Depository Services Inc., or its nominee, which is, at the date hereof, CDS & Co.;

"**Circular**" means the take-over bid circular accompanying the Original Offer and forming a part thereof, including Annex A appended thereto;

"**Competition Act**" means the *Competition Act* (Canada);

"**Competition Act Clearance**" means, with respect to the transactions contemplated by the Offer, either: (a) the Commissioner of Competition shall have issued an ARC pursuant to Section 102 of the Competition Act, which ARC shall not have been rescinded or amended; or (b) (i) any applicable waiting period, including any extension of a waiting period, under Section 123 of the Competition Act shall have expired or been terminated, or the requirement to submit a notification shall have been waived under paragraph 113(c) of the Competition Act, and (ii) the Commissioner of Competition shall have issued a No-Action Letter without any condition or on conditions that are acceptable to Total Energy, in its judgment, which No-Action Letter shall not have been rescinded or amended;

"**Compulsory Acquisition**" has the meaning ascribed thereto in Section 20 of the Circular, "Acquisition of Savanna Common Shares Not Deposited Under the Offer";

"**Convertible Securities**" means all securities convertible into, or exchangeable or exercisable for, Savanna Common Shares or otherwise evidencing a right to acquire any Savanna Common Shares or other securities of Savanna and including, without limitation, Options, DSUs, PSUs and RSUs;

"**Depository**" means Computershare Investor Services Inc., or such other Person as Total Energy may appoint to act as a depository in relation to the Offer;

"**Director's Circular**" means the Directors' Circular of Savanna dated December 23, 2016;

"**DRS Statement**" means a Direct Registration System statement;

"**DSU**" means a deferred common share unit award of Savanna granted under the DSU Plan;

"**DSU Plan**" means the deferred common share unit plan of Savanna;

"**ERISA**" means *Employee Retirement Income Security Act of 1974*, as amended;

"**Exchange Act**" has the meaning ascribed thereto on page (vi)(second paragraph) of this Notice of Change and Variation, "Notice to Savanna Shareholders in the United States";

"**Expiry Date**" means the date on which the Expiry Time occurs;

"**Expiry Time**" has the meaning ascribed thereto in Section 4 of this Notice of Change and Variation, entitled "Time for Deposit";

"**GMP FirstEnergy**" means GMP Securities L.P.;

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

"**Highly Dilutive Refinancing**" means the financing transactions completed by Savanna on December 13, 2016;

"**IFRS**" means International Financial Reporting Standards and applicable accounting requirements set by the International Accounting Standards Board or any successor thereto as in effect from time to time;

"**Information Agent**" means Laurel Hill Advisory Group, or such other Person as Total Energy may retain to act as an information agent in relation to the Offer;

"**Interim MD&A**" means management's discussion and analysis of results of operations and financial condition for the three and nine month period ended September 30, 2016;

"**Law(s)**" means all laws (including common law), by-laws, statutes, rules, regulations, principles of law, orders, ordinances, judgments, decrees, guidelines, policies or other requirements, whether domestic or foreign, and the terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity and the term "applicable" with respect to such Laws and in a context that refers to a Person, means such Laws as are applicable to such Person or its business, undertaking, property or securities and emanate from a Governmental Entity having jurisdiction over the Person or its business, undertaking, property or securities;

"**Letter of Transmittal**" means the letter of transmittal in the applicable form accompanying the Original Offer and Circular, as such letter of transmittal is deemed to be amended by this Notice of Change and Variation, or the Amended Letter of Transmittal, as applicable;

"**Locked-Up Shareholders**" means collectively, Franklin Templeton Investments Corp., Invesco Canada Ltd. and Foyston, Gordon and Payne, Inc.;

"**Lock-Up Agreements**" means the support agreements, dated November 29, 2016, between Total Energy and the Locked-Up Shareholders, pursuant to which, among other things, the Locked-Up Shareholders have agreed to tender their Savanna Common Shares to the Offer;

"**NI 54-101**" means National Instrument 54-101 – *Communications with Beneficial Owners of Securities*, as amended or replaced from time to time;

"**NI 62-104**" means National Instrument 62-104 – *Take-Over Bids and Issuer Bids*, as amended or replaced from time to time;

"**No-Action Letter**" has the meaning ascribed thereto in Section 19 of the Original Circular, "Regulatory Matters";

"**Notice of Guaranteed Delivery**" means the notice of guaranteed delivery in the form accompanying the Original Offer and Circular, as deemed to be amended by this Notice of Change and Variation;

"**Offer**" has the meaning ascribed thereto on the front page of the Original Offer and Circular;

"**Offer and Circular**" has the meaning ascribed thereto on page (ii) of the cover pages of this document;

"**Options**" means the options to acquire Savanna Common Shares granted pursuant to the Savanna stock option plan;

"**Original Circular**" has the meaning ascribed thereto on page (ii) of the cover pages of this document;

"**Original Offer**" has the meaning ascribed thereto on page (i) of the cover pages of this document;

"**Original Offer and Circular**" has the meaning ascribed thereto on page (ii) of the cover pages of this document;

"**Person**" includes an individual, partnership, association, body corporate, joint venture, business organization, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;

"**PP&E**" means plant, property and equipment;

"**PSU**" means a performance common share unit award of Savanna granted under the PSU Plan;

"**PSU Plan**" means the performance share unit plan of Savanna;

"**Q1 2017**" means the three month period ending March 31, 2017;

"**Replacement Financing**" means the financing that may be required by Total Energy, if the Offer is successful, to enable it to fund the repayment of amounts outstanding under the AIMCo Debt Facility and the repurchase of the Savanna Senior Notes;

"**Required Regulatory Approvals**" means (i) the Competition Act Clearance, (ii) the approval of the TSX to list the Total Common Shares, and (iii) such other sanctions, rulings, consents, orders, exemptions, permits and other approvals (including the lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of Governmental Entities (domestic or foreign) that Total Energy determines are required in connection with the commencement of the Offer or the consummation of the Offer, a Compulsory Acquisition or any Subsequent Acquisition Transaction;

"**RSU**" means a restricted common share unit award of Savanna granted under the RSU Plan;

"**RSU Plan**" means the restricted common share unit award plan of Savanna;

"**Rule 802**" means Rule 802 under the U.S. Securities Act;

"**Savanna**" or the "**Company**" means Savanna Energy Services Corp., a body corporate incorporated under the ABCA;

"**Savanna Board**" means the board of directors of Savanna;

"**Savanna Common Shares**" means the issued and outstanding common shares of Savanna, and unless the context requires otherwise, includes common shares of Savanna issuable on the exercise, exchange or conversion of Convertible Securities;

"**Savanna Credit Agreement**" means the credit agreement dated December 13, 2016 between Savanna and AIMCo with respect to the AIMCo Debt Facility;

"**Savanna Senior Notes**" means the 7.00% senior unsecured notes of Savanna due May 25, 2018;

"**Savanna Shareholder**" or "**Savanna Shareholders**" or "**Common Shareholder**" or "**Common Shareholders**" means a holder or holders of Savanna Common Shares (as applicable);

"**SEC**" has the meaning ascribed thereto on page (v) of the cover pages of this Notice of Change and Variation;

"**Securities Act**" means the *Securities Act* (Alberta);

"**Securities Laws**" means the Securities Act and all other applicable securities Laws, including, unless otherwise noted, U.S. securities laws;

"**Securities Regulatory Authorities**" means the applicable securities commission or regulatory authority in each province and territory of Canada;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval, a filing system developed for the Securities Regulatory Authorities and accessible at [www.sedar.com](http://www.sedar.com);

"**Soliciting Dealer**" has the meaning ascribed thereto in Section 29 of the Original Circular, "Dealer Manager and Soliciting Dealer Group";

"**Subsequent Acquisition Transaction**" has the meaning ascribed thereto in Section 20 of the Original Circular, "Acquisition of Savanna Common Shares Not Deposited Under the Offer";

"**Total Board**" or "**Offeror Board**" means the board of directors of Total Energy;

"**Total Common Shares**" or "**Offeror Common Shares**" means the common shares in the capital of Total Energy;

"**Total Energy**" or "**Offeror**" means Total Energy Services Inc., a body corporate incorporated under the ABCA;

"**TSX**" means the Toronto Stock Exchange;

"**Updated Pro-Formas**" means the revised unaudited pro-forma consolidated financial statements set out in Annex A to this Notice of Change and Variation; and

"**U.S. Securities Act**" means the United States *Securities Act of 1933*, as amended.

**CERTIFICATE OF TOTAL ENERGY SERVICES INC.**

Dated: March 1, 2017

The foregoing, together with the Original Offer and Circular, 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 is made.

(signed) DANIEL K. HALYK  
President and Chief Executive Officer

(signed) YULIYA GORBACH  
Vice-President, Finance and Chief Financial Officer

**On behalf of the Board of Directors of Total Energy Services Inc.**

(signed) BRUCE PACHKOWSKI  
Director

(signed) GREGORY S. FLETCHER  
Director

## ANNEX A

### UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma consolidated financial statements are presented to illustrate the estimated effects of the Savanna Financings (as defined herein) and the proposed acquisition of all outstanding Savanna Common Shares under the Offer. These unaudited pro forma consolidated financial statements have been prepared by applying pro forma adjustments to the historical consolidated financial statements of Total Energy incorporated by reference in the Offer. The unaudited pro forma consolidated statement of financial position gives effect to the Savanna Financings and the Offer as they had occurred on September 30, 2016. The unaudited pro forma consolidated statements of comprehensive loss for the nine month period ended September 30, 2016 and the year ended December 31, 2015 give effect to the Savanna Financings and the Offer as if they had occurred on January 1, 2015. All pro forma adjustments and their underlying assumptions are described in the notes to the unaudited pro forma consolidated financial statements.

These unaudited pro forma consolidated financial statements have been prepared using certain financial statements of Total Energy and Savanna, respectively, as more particularly described in the notes to such unaudited pro forma consolidated financial statements. In preparing these unaudited pro forma consolidated financial statements, Management of Total Energy has made certain assumptions that affect the amounts reported in the unaudited pro forma consolidated financial statements. These unaudited pro forma consolidated financial statements are not intended to be indicative of the results that would have actually occurred, had the events reflected therein occurred on the dates indicated, and do not purport to project the future financial position of Total Energy. Actual amounts recorded upon consummation of the transactions contemplated by the Offer will differ from these unaudited pro forma consolidated financial statements. Any potential synergies that may be realized after consummation of the Offer have been excluded from these unaudited pro forma consolidated financial statements. Readers are cautioned to not place undue reliance on these unaudited pro forma consolidated financial statements.

All amounts are in thousands of Canadian dollars, except where noted.

**TOTAL ENERGY SERVICES INC.**  
**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at September 30, 2016**  
**In thousands of Canadian dollars, except per share amounts**  
**(unaudited)**

	<b>Total Energy Services Inc.</b>	<b>Savanna Energy Services Corp.</b>	<b>Adjustments</b>	<b>Notes</b>	<b>Pro Forma Consolidated</b>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	8,273	6,361	5,894 (9,002) 19,530	2(a) 2(b) 2(d)	31,056
Accounts receivable	43,260	52,652			95,912
Inventory	51,156	6,669			57,825
Income taxes receivable	568	1,720			2,288
Other assets/short-term investments	5,312	-			5,312
Prepaid expenses and deposits	4,704	3,716			8,420
	113,273	71,118	16,422		200,813
Property, plant and equipment	383,315	703,698	(250,931)	2(a)	836,082
Income taxes receivable	7,070	-			7,070
Deferred tax asset	-	13,025			13,025
Goodwill	4,053	-			4,053
	507,711	787,841	(234,509)		1,061,043
<b>Liabilities &amp; Shareholders' Equity</b>					
Current liabilities:					
Bank indebtedness	-	1,883	(1,883)	2(d)	-
Accounts payable and accrued liabilities	23,395	43,359			66,754
Income taxes payable	-	2,666			2,666
Deferred revenue - current portion	4,548	-			4,548
Dividends payable	1,856	-			1,856
Current portion of obligations under finance leases	1,457	-			1,457
Current portion of long term debt	1,923	2,090			4,013
	33,179	49,998	(1,883)		81,294
Deferred revenue - long-term	-	2,843			2,843
Long-term debt	45,452	247,485	(16,866) 24,363	2(d) 2(a),(e)	300,434
Obligations under finance leases	1,267	2,402			3,669
Deferred tax liability	57,956	25,355	(26,003)	2(b),(c)	57,308
Shareholders' equity:					
Share capital	88,712	1,007,737	(1,046,641) 237,538 38,904	2(a) 2(a) 2(d)	326,250
Contributed surplus	7,936	31,818	(31,818)	2(a)	7,936
AOCI	-	33,565	(33,565)	2(a)	-
Non-controlling interest	-	9,862			9,862
Retained earnings	273,209	(623,224)	623,849 (1,762) (625)	2(a) 2(b) 2(d)	271,447
	369,857	459,758	(214,120)		615,495
	507,711	787,841	(234,509)		1,061,043

**TOTAL ENERGY SERVICES INC.**  
**PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS**  
**Nine months ended September 30, 2016**  
**In thousands of Canadian dollars, except per share amounts**  
**(unaudited)**

	<b>Total Energy Services Inc.</b>	<b>Savanna Energy Services Corp.</b>	<b>Adjustments</b>	<b>Notes</b>	<b>Pro Forma Consolidated</b>
Revenue	140,385	219,705			360,090
Cost of services	113,283	160,544			273,827
Selling, general and administration	16,480	21,090			37,570
Share-based compensation	1,077	143			1,220
Other income and expenses	-	4,707			4,707
Depreciation	20,359	69,772	(24,880)	3(b)	65,251
<b>Results from (used in) operating activities</b>	<b>(10,814)</b>	<b>(36,551)</b>	<b>24,880</b>		<b>(22,485)</b>
Gain (loss) on sale of property, plant and equipment	942	(1,436)			(494)
Finance income	434	-			434
Finance costs	(1,749)	(13,116)	(861)	3(e)	(16,292)
			(566)	3(f)	
<b>Net income (loss) before income taxes</b>	<b>(11,187)</b>	<b>(51,103)</b>	<b>23,453</b>		<b>(38,837)</b>
Current income tax expense	643	1,592			2,235
Deferred income tax (recovery) expense	(3,583)	(13,978)	6,292	3(c)	(11,269)
<b>Total income tax (recovery) expense</b>	<b>(2,940)</b>	<b>(12,386)</b>	<b>6,292</b>		<b>(9,034)</b>
<b>Net income (loss) for the period</b>	<b>(8,247)</b>	<b>(38,717)</b>	<b>17,161</b>		<b>(29,803)</b>
<b>Net income (loss) attributable to:</b>					
Shareholders	(8,247)	(37,136)	16,583		(28,800)
Non-controlling interests	-	(1,581)	578		(1,003)
<b>Earnings (loss) per share</b>					
Basic earnings (loss) per share	(0.27)	(0.41)			(0.62)
Diluted earnings (loss) per share	(0.27)	(0.41)			(0.62)
<b>Other Comprehensive loss</b>					
Foreign currency translation adjustment	-	(9,558)			(9,558)
Foreign exchange loss on net investment hedge	-	2,916			2,916
Tax on foreign currency translation adjustment	-	(60)			(60)
<b>Comprehensive loss</b>	<b>(8,247)</b>	<b>(45,419)</b>	<b>17,161</b>		<b>(36,505)</b>
<b>Comprehensive loss attributable to:</b>					
Shareholders	(8,247)	(43,838)	16,583		(35,502)
Non-controlling interests	-	(1,581)	578		(1,003)



**TOTAL ENERGY SERVICES INC.**  
**PRO FORMA CONSOLIDATED STATEMENT COMPREHENSIVE LOSS**  
Year ended December 31, 2015  
In thousands of Canadian dollars, except per share amounts  
(unaudited)

	<b>Total Energy Services Inc.</b>	<b>Savanna Energy Services Corp.</b>	<b>Adjustments</b>	<b>Notes</b>	<b>Pro Forma Consolidated</b>
Revenue	283,193	446,100			729,293
Cost of services	206,550	302,593			509,143
Selling, general and administration	27,975	43,277			71,252
Share-based compensation	1,375	(5)			1,370
Other income and expenses	-	(2,575)			(2,575)
Depreciation	27,488	111,999	(36,190)	3(b)	103,297
Results from (used in) operating activities	19,805	(9,189)	36,190		46,806
Gain on sale of property, plant and equipment	5,576	-			5,576
Impairment losses	-	(135,112)			(135,112)
Finance income	897	-			897
Finance costs	(9,728)	(17,860)	(2,410)	3(a)	(32,526)
			(1,773)	3(e)	
			(755)	3(f)	
Net income (loss) before income taxes	16,550	(162,161)	31,252		(114,359)
Current income tax expense (recovery)	6,906	(1,036)	-		5,870
Deferred income tax expense	989	18,976	8,384	3(c)	28,349
Total income tax (recovery) expense	7,895	17,940	8,384		34,219
<b>Net income (loss) for the period</b>	<b>8,655</b>	<b>(180,101)</b>	<b>22,868</b>		<b>(148,578)</b>
<b>Net income (loss) attributable to:</b>					
Shareholders	8,655	(171,836)	21,766		(141,415)
Non-controlling interests	-	(8,265)	1,102		(7,163)
<b>Earnings (loss) per share</b>					
Basic earnings (loss) per share	0.28	(1.90)			(3.02)
Diluted earnings (loss) per share	0.28	(1.90)			(3.02)
<b>Other Comprehensive loss</b>					
Foreign currency translation adjustment	-	41,508			41,508
Foreign exchange loss on net investment hedge	-	(12,061)			(12,061)
Tax on foreign currency translation adjustment	-	857			857
<b>Comprehensive loss</b>	<b>8,655</b>	<b>(149,797)</b>	<b>22,868</b>		<b>(118,274)</b>
<b>Comprehensive loss attributable to:</b>					
Shareholders	8,655	(141,532)	21,766		(111,111)
Non-controlling interests	-	(8,265)	1,102		(7,163)

**TOTAL ENERGY SERVICES INC.**

**NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

**As at and for the nine months ended September 30, 2016 and the year ended December 31, 2015  
(unaudited)**

**1. Basis of Presentation**

The accompanying unaudited pro forma consolidated statement of financial position of Total Energy Services Inc. ("**Total Energy**" or the "**Corporation**") as at September 30, 2016 and the unaudited pro forma consolidated statements of comprehensive loss for the nine months ended September 30, 2016 and the year ended December 31, 2015 (the "**pro-forma statements**") have been prepared to reflect the Corporation's offer (the "**Offer**") to purchase all of the issued and outstanding common shares (the "**Savanna Common Shares**") and stock options ("**Savanna Options**") of Savanna Energy Services Corp. ("**Savanna**") for consideration consisting of common shares (the "**Common Shares**") of the Corporation and cash:

- Pursuant to the terms of the Offer, shareholders of Savanna will receive for each Savanna Common Share 0.1300 of a Common Share plus \$0.20 cash. The estimated number of Common Shares to be issued is 15,835,852. An estimated number of Common Shares assumed to be issued of 15,835,852 is based upon the assumption that there are 118,224,189 outstanding Savanna Common Shares (after closing of the Savanna Financings (as defined herein), as described below in note 2(d)) and the estimated 3,590,054 of in-the-money Savanna Options and nil in-the-money warrants to purchase Savanna Common Shares ("**Savanna Warrants**"), based on a closing price of the Savanna Common Shares of \$1.96 on February 23, 2017. The estimated number of outstanding in-the-money Savanna PSUs convertible into Savanna Common Shares is assumed to be immaterial.
- The estimated number of the in-the-money unexercised Savanna Options at the time of this Notice of Change and Variation is 3,590,054. The estimated number of in-the-money Savanna Warrants at the time of this Notice of Change and Variation is nil. Savanna Options can be exercised or surrendered prior to the Expiry Date of the Offer or, under the terms of the Offer, each in-the-money Savanna Option that has not been exercised or surrendered will result in the holder receiving a Savanna Common Share in the amount equal to the in-the-money amount of such Savanna Option immediately prior to the Expiry Date. It has been assumed none of the in-the money Savanna Options were exercised prior the date of the Offer.
- The long-term debt and bank indebtedness will be assumed by the Corporation.
- These unaudited pro-forma consolidated financial statements do not include adjustments for change of control provisions as it pertains to Savanna's borrowings.
- The acquisition under the Offer will be accounted for using the purchase method. These unaudited pro-forma consolidated financial statements were prepared on the basis that the Offer will be accepted by Savanna shareholders and the respective acquisition will be approved by the Shareholders of the Corporation and necessary regulatory approvals received. If these things do not occur, or if another condition of the Offer is not met, the results will be materially different.

The pro-forma statements have been prepared from information derived from, and should be read in conjunction with, the following:

- the unaudited interim consolidated financial statements of the Corporation as at and for the nine months ended September 30, 2016 and the audited consolidated financial statements of the Corporation for the year ended December 31, 2015; and

- the unaudited interim consolidated financial statements of Savanna as at and for the nine months ended September 30, 2016 and the audited consolidated financial statements of Savanna for the year ended December 31, 2015.

These unaudited pro forma consolidated financial statements have been prepared by Management of the Corporation in accordance with International Financial Reporting Standards (IFRS) and National Instrument 51-102 – *Continuous Disclosure Obligations*. The unaudited pro forma consolidated statement of financial position gives effect to the transactions and assumptions disclosed in note 2 as if they had occurred on September 30, 2016. The unaudited pro forma consolidated statements of comprehensive loss gives effect to the transactions and assumptions disclosed in note 3 as if they had occurred at January 1, 2015 for the nine months ended September 30, 2016 and as if they had occurred on January 1, 2015 for the year ended December 31, 2015.

The unaudited pro forma consolidated financial statements may not be indicative of the results that actually would have occurred if the events reflected therein had taken place on the dates indicated or of the results which may be obtained in the future. In preparing these unaudited pro forma consolidated financial statements, no adjustments have been made to reflect the expected operating synergies and administrative cost savings that could result from the operations and combined assets.

**Except as otherwise indicated herein, the information concerning Savanna contained in this Notice of Change and Variation, including in these unaudited pro-forma consolidated financial statements, has been taken from, or is based upon, publicly available information filed by Savanna with various Securities Regulatory Authorities in Canada and other public sources available as at February 23, 2017. Readers are cautioned that the information contained in these unaudited pro forma consolidated financial statements may be inconsistent with certain information concerning Savanna contained in this Notice of Change and Variation and the Original Offer and Circular (including the documents incorporated by reference or deemed to be incorporated by reference therein). The Corporation has not requested a consent to use the audit report in respect of Savanna's audited consolidated financial statements for the year ended December 31, 2015. As of the date of these unaudited pro-forma consolidated financial statements, the Corporation has not had access to the non-public books and records of Savanna and the Corporation is not in a position to independently assess or verify certain of the information in Savanna's publicly filed documents, including its financial statements. Savanna has not reviewed these unaudited pro-forma consolidated financial statements and has not confirmed the accuracy and completeness of the information in respect of Savanna contained herein. While the Corporation has no reason to believe that such information is inaccurate or incomplete, the Corporation has no means of verifying the accuracy or completeness of any information contained herein that is derived from publicly available information regarding Savanna or whether there has been any failure by Savanna to disclose events or facts that may have occurred or may affect the significance or accuracy of any such information. Neither the Corporation, nor any of the directors or officers of the Corporation, assumes any responsibility for the accuracy or completeness of such information or any failure by Savanna to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such information, but which are unknown to the Corporation or such persons. Readers are cautioned to not place undue reliance on these unaudited pro forma consolidated financial statements.**

Accounting policies used in the preparation of the unaudited pro forma consolidated financial statements are in accordance with those disclosed in the Corporation's audited consolidated financial statements as at and for the year ended December 31, 2015 and the Corporation's unaudited interim consolidated financial statements as at and for the nine months ended September 30, 2016.

In the opinion of Management, the unaudited pro forma consolidated financial statements include all material adjustments necessary for a fair presentation of the consolidated financial statements of the Corporation following the acceptance of the Offer by Savanna shareholders and completion of necessary arrangements.

## 2. Pro Forma Consolidated Statement of Financial Position Assumptions and Adjustments

The unaudited pro-forma consolidated statement of financial position as at September 30, 2016 gives effect to the following assumptions and adjustments as if they occurred on September 30, 2016.

- a) The unaudited pro forma consolidated statement of financial position assumed completion of the Savanna Financings and the acceptance of the Offer by Savanna shareholders and completion of other necessary arrangements related to acceptance of the Offer. Under the terms of the Offer, shareholders of Savanna will receive for each of Savanna Common Share 0.1300 of a Common Share plus \$0.20 cash. The estimated number of Common Shares to be issued is 15,835,852 which is based upon the assumptions that there are 118,224,189 outstanding Savanna Common Shares (based on the directors' circular of Savanna dated December 23, 2016 (the "**Savanna Directors' Circular**")) and 3,590,054 (estimated) in-the-money Savanna Options, which will be exercised for estimated proceeds of \$5.9 million. For the purposes of the unaudited pro forma consolidated financial statements, management of the Corporation assumed that there are 3,590,054 (estimated) outstanding exercisable in-the-money Savanna Options, nil in-the-money Savanna Warrants and an immaterial number of in-the-money outstanding Savanna PSUs. The assumptions in respect of the number of Savanna Common Shares, Savanna Options, Savanna Warrants and Savanna PSUs noted above are as of February 23, 2017. The estimated dollar value of the Offer consideration assumed an ascribed price of \$15.00 to the Common Shares based on the Corporation's volume weighted average trading price of the Common Shares for the period of January 1 to February 23, 2017. The actual value of the consideration may differ materially from the estimate, based on the price of the Common Shares on the effective date of the completion of the Offer.

The closing of the Offer will result in approximately 46,755,852 Common Shares being issued and outstanding (as estimated at February 23, 2017) on a diluted basis in accordance with the assumptions outlined above as disclosed in note 3(d) below. The transaction under the Offer will be accounted for using the purchase method whereby the assets acquired and liabilities assumed are recorded at their fair values. The following table summarizes the estimated preliminary allocation of purchase price based on Management's preliminary estimates of the fair value of Savanna's assets and liabilities:

<b>Cost of acquisition</b>	<b>\$000</b>
Common shares	237,538
Cash	24,363
<b>Total</b>	<b>261,901</b>
<b>Allocation at estimated fair values:</b>	
Cash and cash equivalents	25,193
Accounts receivable	52,652
Inventory	6,669
Income taxes receivable	1,720
Prepaid expenses and deposits	3,716
Property, plant and equipment	452,767
Deferred tax asset	13,025
Accounts payable and accrued liabilities	(43,359)
Income taxes payable	(2,666)
Current portion of long term debt	(2,090)
Deferred revenue - long-term	(2,843)
Long-term debt	(230,619)
Obligations under finance leases	(2,402)
Non-controlling interest	(9,862)
	<b>261,901</b>

The fair values of assets and liabilities were estimated as follows:

- Savanna's September 30, 2016 book value was estimated to be fair value, for the following accounts: cash and cash equivalents, accounts receivable, inventory, income taxes receivable, prepaid expenses and deposits, accounts payable and accrued liabilities, income taxes payable, current portion of long-term debt, deferred revenue – long-term, long-term debt, and obligations under finance leases;
- to estimate the fair value of property, plant and equipment ("**PP&E**"), in the absence of detailed information (lists, physical assets, maintenance records etc.) necessary to perform a precise determination of the fair values and in the context of the unsolicited take-over bid, a market approach was utilized, whereby reference was given to how the open efficient market values Savanna as an enterprise;
- Total Energy's estimate of the fair value of Savanna's PP&E and, consequently, the amount of the write-down to Savanna's PP&E was made with reference to the market value of Savanna's equity (as determined based on the market price of the Savanna Common Shares at the relevant time) and the book value of the Savanna's shareholders' equity (as determined based on Savanna's financial statements as at and for the period ended September 30, 2016 and adjusted to give effect to the Savanna Financings);
- based on the volume weighted average trading price of \$2.10 per Savanna Common Share for the period of January 1, 2017 to February 23, 2017, the fair value of the Savanna Common Shares was approximately \$248 million, as compared to the book value of Savanna's shareholders' equity, as presented in Savanna's financial statements as at and for the period ended September 30, 2016 (as adjusted to give effect to the Savanna Financings), of approximately \$499 million. The net difference is a discount of approximately \$250 million;
- Total Energy expects to update its estimates if and when Total Energy obtains access to the detailed non-public information, and physical access to Savanna's PP&E, necessary to undertake a detailed and conclusive determination of the fair values; the results of such determination might yield materially different values than those disclosed herein; and
- the assessment of fair value of the non-controlling interest has not been completed at this time.

The purchase price allocation has been determined from limited information that was available to the management of Total Energy as at February 23, 2017 and, in the context of an unsolicited take-over bid, is subject to change; the purchase price allocation that will be calculated following successful completion of the Offer might be materially different from the values set out herein. Although Total Energy does not have a reason to believe so, there may be undisclosed assets and liabilities of Savanna that could have a material impact on the determination of fair values of Savanna's assets and liabilities and the resulting purchase price allocation. The allocation of the purchase price to the assets and liabilities of Savanna will be finalized after the Offer is successfully completed and the fair values of the assets (including PP&E) and liabilities have been determined.

- b) Cash and cash equivalents was reduced by a total of \$9.0 million for costs associated with the Offer. Costs associated with the Offer include the Corporation's estimated expenses of the Offer of \$2.4 million (increased from original \$1.3 million estimate due to additional legal, translation, filing, printing, mailing

and other costs, please see "Update on Expenses of the Offer" in Section 3(c) on page 43 of the Notice of Change and Variation for further details) and estimated expenses of \$6.6 million for change of control payments to named officers of Savanna, as well as other estimated costs arising if the Offer is successful. The \$2.4 million of the expenses of the Offer will be expensed and are shown net of the tax impact at \$1.8 million as a decrease to retained earnings. The change of control payments to named officers of Savanna and other estimated costs associated with the Offer have been applied against Savanna's available cash and cash equivalents and included in the purchase price equation.

The costs associated with the Offer were increased for additional compensation awards to the named officers of Savanna and other estimated costs that were disclosed subsequent to the date of the Offer in the Savanna Directors' Circular. Transaction costs do not include costs associated with the Offer incurred by Savanna. The costs associated with the Offer are estimated based on available information and might change if and when additional information becomes available.

- c) It is expected that the acquisition of Savanna Common Shares as proposed in the Offer will give rise to an additional deferred tax asset. Such additional deferred tax asset, beyond the carrying amount previously recognized by Savanna and shown above, is not recognized in these unaudited pro forma consolidated financial statements due to uncertainty as to the probability of such asset utilization.
- d) On December 13, 2016, Savanna completed financing transactions (the "**AIMCo Financings**") with Alberta Investment Management Corporation ("**AIMCo**") providing for a \$200 million second lien senior secured term loan facility (the "**AIMCo Debt Facility**") and a private placement (the "**AIMCo Private Placement**") of 13 million Savanna Common Shares at a price of \$1.45 per Savanna Common Share for gross proceeds of \$18.85 million. The initial draw on the AIMCo Debt Facility was \$105 million with an interest rate of 7.15%. In conjunction with the funding of the AIMCo Debt Facility, Savanna issued 7 million Savanna Warrants to AIMCo, entitling AIMCo to acquire up to 7 million Savanna Common Shares at an exercise price of \$2.50 per Savanna Common Share at any time prior to December 13, 2018.

On the same date, Savanna also closed a bought deal offering of Savanna Common Shares (the "**Bought Deal Offering**"). Pursuant to the Bought Deal Offering, Savanna issued 14.95 million Savanna Common Shares (including the issuance of 1.95 million Savanna Common Shares pursuant to the exercise of the over-allotment option in full) at a price of \$1.45 per Savanna Common Share for gross proceeds of \$21.68 million.

According to the final short form prospectus of Savanna dated December 5, 2016, Savanna secured a \$17 million mortgage with the Business Development Bank of Canada (the "**BDC Mortgage**" and, collectively with the AIMCo Financings and the Bought Deal Offering, the "**Savanna Financings**") on its operating facility in Leduc. The BDC Mortgage matures on December 31, 2041 and bears interest of 4.95%.

- e) Long-term debt was increased by \$24.4 million for the cash portion of the Offer. Total Energy intends to fund the cash portion of the offer consideration by cash on hand and from its existing credit facility.

As described in the final short form prospectus of Savanna dated December 5, 2016, the proceeds of the Savanna Financings will be used as follows:

	Number of Savanna Common Shares	Price	\$000
Gross proceeds pursuant to the Bought Deal Offering	13,000,000	1.45	18,850
Estimated costs of the Bought Deal Offering			(1,193)
Gross proceeds pursuant to the over-allotment option in connection with the Bought Deal Offering	1,950,000	1.45	2,828
Estimated costs of the exercise of the over-allotment option			(141)
Gross proceeds raised pursuant to the AIMCo Private Placement	13,000,000	1.45	18,850
Costs in relation to the AIMCo Private Placement			(290)
Gross proceeds from the first draw on the AIMCo Debt facility			105,000
BDC Mortgage			17,000
<b>Total estimated proceeds</b>			<b>160,904</b>
<b>Use of Proceeds</b>			
Repurchase of long-term debt – senior unsecured notes (at 101 % premium)			63,140
Repay revolving credit facility			78,234
General corporate purposes – cash			19,530

The transactions described above resulted in an increase in pro-forma cash and cash equivalents of \$19.5 million, a decrease in pro-forma long-term debt of \$16.9 million, a decrease of bank indebtedness of \$1.9 million, an increase in Savanna share capital of \$38.9 million and a decrease in pro-forma retained earnings of \$0.6 million.

For the purposes of these unaudited pro forma consolidated financial statements, the value of the 7,000,000 warrants issued to AIMCo is assumed to be immaterial.

### 3. Pro Forma Consolidated Statements of Comprehensive Loss Assumptions and Adjustments

- a) Increase to finance expenses to reflect the Offer costs as described in note 2(b) above.
- b) Depreciation has been adjusted to reflect the valuation of the Savanna property, plant and equipment. No adjustment for the difference in depreciation accounting policy was made, as information necessary to do so was not available.
- c) The deferred tax provision has been adjusted for the tax impact of the pro forma adjustments in the statements of comprehensive loss. These adjustments were made using the Corporation's effective corporate tax rate of 26.83%.
- d) The calculation of net earnings (loss) per share of the Corporation has been based on the weighted average number of Common Shares issued and outstanding and the number of Common Shares to be issued to Savanna shareholders, as required to effect the Offer as disclosed in note 2(a).
- e) Finance expense has been adjusted to reflect the Savanna Financings described in note 2(d)

- f) Finance expense has been adjusted to reflect interest associated with long-term debt used to finance the cash portion of consideration offered for the Savanna Shares described in notes 2(a) and 2(e).

The per share calculations are as follows:

<b>Common Shares Outstanding at September 30, 2016</b>	<b>Common Shares</b>
Common Shares issued and outstanding, prior to the Offer	30,940,000
Estimated Common Shares issued on the acquisition of Savanna	15,835,852
Common Shares outstanding, on a pro forma basis	46,775,852
Dilutive effect of Corporation stock options	-
<b>Diluted Common Shares outstanding, on a pro-forma basis</b>	<b>46,775,852</b>

  

<b>Weighted Average Common Shares Outstanding for the nine months ended September 30, 2016</b>	<b>Common Shares</b>
Weighted average Common shares issued and outstanding, prior to the Offer	30,978,000
Estimated Common Shares issued on the acquisition of Savanna	15,835,852
Basic weighted average Common Shares outstanding, on a pro forma basis	46,813,852
Dilutive effect of Corporation stock options	-
<b>Diluted weighted average Common Shares outstanding, on a pro-forma basis</b>	<b>46,813,852</b>

  

<b>Weighted Average Common Shares Outstanding for the year ended December 31, 2015</b>	<b>Common Shares</b>
Weighted average Common shares issued and outstanding, prior to the Offer	31,000,058
Estimated Common Shares issued on the acquisition of Savanna	15,835,852
Basic Weighted average Common Shares outstanding, on a pro forma basis	46,835,910
Dilutive effect of Corporation stock options	-
<b>Diluted weighted average Common Shares outstanding, on a pro-forma basis</b>	<b>46,835,910</b>



## ANNEX B

### Notes to Comparative Capital Stewardship Record Table

#### Notes:

- (1) Includes cash dividends and trust distributions paid plus corporate repurchases and cancellation of shares and trust units as presented on the statement of cash flow for the reporting periods <sup>(13)</sup>.
- (2) Calculated as cumulative cash returned to shareholders/unitholders <sup>(7)</sup> divided by paid up Share Capital<sup>(3)</sup> at September 30, 2016.
- (3) Paid up share capital is equal to Share Capital (Unitholder Capital) as disclosed on the statement of financial position at the reporting period end date <sup>(13)</sup>.
- (4) Calculated as the simple average of reporting period <sup>(13)</sup> returns on equity <sup>(7)</sup>. Reporting period returns on equity is calculated as net income before tax plus income or gain from discontinued operations before tax divided by the simple average of opening and closing shareholder equity balance as disclosed on the statement of financial position at the end of the reporting period for the respective reporting entity.
- (5) Calculated as the simple average of reporting period <sup>(13)</sup> returns on PP&E, Goodwill, Intangible and, in the case of Savanna, Other Assets (recertification of drilling rigs and related) <sup>(7)</sup>. Reporting period <sup>(13)</sup> return on PP&E, goodwill, intangible and other assets is calculated as net income (loss) before income taxes plus income or gain from discontinued operations before income tax, as disclosed on the Statement of Earnings/(Loss), divided by the simple average of opening and closing balances of PP&E, Goodwill, Intangibles and Other Assets as disclosed on the statement of financial position at the end of the reporting period for the respective reporting entity.
- (6) Calculated as cumulative additions plus acquisitions of PP&E and Other Assets (as defined in note <sup>(5)</sup>) less proceeds on disposals of PP&E and in case of Savanna, Other Assets, as disclosed in reporting period <sup>(13)</sup> Statement of Cash Flows, plus estimated non-cash additions of PP&E and estimated effect of changes in foreign exchange rates, less impairment losses with respect to PP&E, divided by PP&E and Other Asset balances at September 30, 2005.
- (7) For the period from October 1, 2005 to September 30, 2016.
- (8) Net debt includes bank indebtedness, short term and long term obligations under finance leases, short term and long-term debt and, in the case of Savanna, onerous lease liabilities, minus cash and, in the case of Total Energy, other assets which consist of marketable securities.
- (9) Calculated as net debt <sup>(8)</sup> on September 30, 2005 divided by net debt <sup>(8)</sup> on September 30, 2016.
- (10) Calculated as the number of issued and outstanding common shares (basic) as at September 30, 2016 less the number of issued and outstanding shares (basic) on September 30, 2005, divided by the number of issued and outstanding common shares (basic) on September 30, 2005.
- (11) Calculated as closing price of the common shares as quoted on the TSX on the last trading date of September 2016 less the closing price of the common shares on the first trading day of October 2005 as quoted on the TSX, divided by the closing price of the common shares on the first trading day of October 2005.
- (12) Calculated by multiplying the number of common shares owned (as listed on System for Electronic Disclosure by Insiders) by the closing share price on the TSX on December 1, 2016.
- (13) Following reporting periods are included in the calculation:
  - Three months ended December 31, 2005;

- Year ended December 31, 2006;
- Year ended December 31, 2007;
- Year ended December 31, 2008;
- Year ended December 31, 2009;
- Year ended December 31, 2010;
- Year ended December 31, 2011;
- Year ended December 31, 2012;
- Year ended December 31, 2013;
- Year ended December 31, 2014;
- Year ended December 31, 2015; and
- Nine months ended September 30, 2016.



The Depository for the Offer is:

**COMPUTERSHARE INVESTOR SERVICES INC.**

**By Mail:**

P.O. Box 7021  
31 Adelaide Street East  
Toronto, Ontario M5C 3H2  
Attention: Corporate Actions

**By Registered Mail, Hand or Courier**

***Calgary***

600, 530 – 8<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 3S8  
Attention: Corporate Actions

***Toronto***

100 University Avenue, 8<sup>th</sup> Floor  
Toronto Ontario M5J 2Y1  
Attention: Corporate Actions

**Toll Free in North America: 1-800-564-6253**

**Collect Outside of North America: 1-514-982-7555**

**e-mail: [corporateactions@computershare.com](mailto:corporateactions@computershare.com)**

The Information Agent for the Offer is:



**Toll Free in North America: 1-877-452-7184**

**Collect Outside of North America: 1-416-304-0211**

**e-mail: [assistance@laurelhill.com](mailto:assistance@laurelhill.com)**

**Questions or requests for assistance or additional copies of this Notice of Change and Variation, the Letter of Transmittal, the Amended Letter of Transmittal, the Notice of Guaranteed Delivery and the Original Offer and Circular may be directed by holders of Savanna Common Shares to the Depository or the Information Agent at the telephone numbers and locations set out above. You may also contact your broker or other intermediary for assistance concerning the Offer. To keep current with further developments and information about the Offer, visit [www.totalenergy.ca/savannaoffer](http://www.totalenergy.ca/savannaoffer).**