



Daylight Corporate Conversion Frequently Asked Questions

Last updated: May 12, 2010

Daylight Resources Trust's unitholders approved our plan to convert from an income trust structure to a dividend-paying corporation, Daylight Energy Ltd., in May 2010 in conjunction with the Annual and Special Meeting of Unitholders on Thursday, May 6, 2010. Daylight Energy Ltd. expects to develop and expand its extensive drilling inventory to continue to provide investors with growth while offering a monthly income component for an attractive total return.

Detailed information regarding the conversion is included in the Notice of Annual and Special Meeting of Unitholders and Information Circular and Proxy Statement dated April 7, 2010, a copy of which was mailed to each unitholder on or about April 8, 2010 and is available for viewing on Daylight Resources' SEDAR profile at www.sedar.com. The questions and answers set forth herein are for convenience only. Reference is made to, and unitholders are encouraged to review, the detailed information contained in the Information Circular and Proxy Statement. Investors and unitholders are also encouraged to seek the independent advice of their legal, tax and financial advisors regarding the effect of the conversion on their individual circumstances.

1. When did Daylight's conversion take place?

- Daylight's Annual and Special Meeting of Unitholders occurred on Thursday, May 6, 2010. At the meeting, unitholders voted to approve Daylight's conversion from an income trust structure to a dividend-paying corporation.
- Daylight's conversion to a corporation closed on Friday, May 7, 2010.
- The last trading day on the Toronto Stock Exchange ("TSX") for Daylight trust units (DAY.UN) was Tuesday, May 11, 2010. The trust units continued to trade on the TSX on May 10 and 11, however following completion of the conversion on May 7, 2010 such trades will only represent the right to receive Daylight Energy common shares rather than trust units.
- Daylight Energy's common shares started trading on Wednesday, May 12, 2010.

2. What is the Toronto Stock Exchange common share trading symbol?

Now that Daylight Resources has converted from an income trust to a dividend-paying corporation, the trading symbol "DAY" will be used for Daylight Energy's common shares trading on the TSX.

3. What are the convertible debenture trading symbols?

Daylight Resources convertible debenture trading symbols have stayed the same following completion of the conversion. The symbols are DAY.DB.B, DAY.DB.C and DAY.DB.D.

4. What action do I have to take as an individual investor? Does everything happen automatically?

Unitholders hold their trust units as either registered unitholders or as beneficial unitholders through an account with their broker.

- Registered unitholders (unitholders that directly hold certificates for their trust units) will be required to obtain and complete a letter of transmittal that will be mailed to them. Upon receipt, they will need to carefully follow the instructions set forth in the letter of transmittal and return a signed letter of transmittal together with the certificates representing trust units to our transfer agent, Valiant Trust Company, at the address set forth in the letter of transmittal. A certificate representing your post-conversion Daylight Energy common shares will be issued and returned to you by mail. If you are a registered unitholder and you have not received a letter of transmittal in the mail, one can be obtained on www.sedar.com under Daylight Resources' profile.
- No action is required by beneficial unitholders that hold their trust units in a brokerage account. It is expected that the change should automatically be reflected in your brokerage account.

5. What can I expect to see in my brokerage account statement or update?

- In connection with the conversion unitholders will receive one (1) Daylight Energy common share for each trust unit. Unitholders can expect to see the same number of Daylight Energy common shares after conversion to a corporation as the number of trust units they held prior to the conversion.
- The trading symbol will change on brokerage account statements to "DAY" from "DAY.UN". There may be a delay of a number of days after closing for this change to be reflected in your brokerage account statement.
- Questions about individual account statements should be directed to the financial institution where your trust units, and subsequently common shares, are held.

6. Will the dividend amount change from the current distribution level?

What will the new dividend be?

- Daylight Energy announced on May 12, 2010 that it will pay a cash dividend of \$0.05 per common share for the months of May and June 2010. Further details can be found in the 'Dividend' section of our website at www.daylightenergy.com

- As with the distributions payable on trust units, future dividends on Daylight Energy common shares are not guaranteed.

7. What are the tax implications to existing investors?

The information contained herein is not intended to be an exhaustive discussion on all possible income tax consequences but a general guideline. It is not intended to constitute legal or tax advice to any holder or potential holder of trust units. Holders or potential holders of trust units or Daylight Energy common shares should consult their own legal or tax advisors as to their particular tax consequences of holding trust units or Daylight Energy common shares after the conversion has taken place.

a. Canadian non-taxable (registered accounts including RRSP accounts)

For investors holding Daylight units in TFSAs, RRSPs, RRFs, RESPs or DPSPs, Daylight common shares are not expected to be treated any differently than Daylight trust units and the conversion should not result in an immediate tax impact. Investors holding Daylight trust units in a registered account should not need to report any amount for capital gains as a result of conversion to a corporation or income from dividends once the expected conversion takes place.

b. Canadian taxable (non-registered accounts)

For most investors, Daylight's conversion from a trust to a dividend-paying corporation should not be considered to be a taxable event and should not trigger a capital gain or loss. The adjusted cost base prior to the conversion should continue as the go-forward adjusted cost base for the calculation of capital gains upon a future sale of Daylight common shares for most investors. Subsequent to the conversion to a corporation, Daylight expects to pay eligible dividends to shareholders on a regular basis which should be eligible for favorable Canadian Dividend Tax Credit treatment. Daylight will continue its practice of issuing news releases early each year to assist its investors in calculating taxes.

c. US taxable

- d.** The conversion is expected to be a tax-free rollover, so no capital gains should be triggered for most typical US investors. In the US, Daylight Energy's future qualified dividends for 2010 are not expected to be treated any differently than Daylight's trust unit distributions prior to the conversion. Both the distributions and future dividends are generally taxed at a flat 15% tax rate. For non-residents of Canada, dividends from Canadian mutual funds are generally subject to a 15% withholding at source. Starting in 2011, new tax legislation is expected to be in place in the US regarding dividends. Please consult your own tax advisor regarding these and other future changes.

US non-taxable

No amounts are generally required to be reported on a US Form 1040 where Daylight trust units are held within a qualified retirement plan. This is expected to be the same for Daylight common shares and future dividends in 2010.

8. Will Daylight have a Dividend Reinvestment Plan (DRIP)? How will it work?

Daylight's DRIP program is currently suspended and no trust units have been issued under the DRIP since August 2007. At this time Daylight Energy expects to maintain the suspension of its DRIP program following completion of the conversion.

9. How will the tax pools be used for the benefit of investors after conversion to a corporation?

As an income trust, Daylight Resources was able to deduct distributions paid to its unitholders from Daylight Resources' taxable income allowing Daylight Resources to build a large balance of high quality tax pools currently standing at over \$1.4 billion. These tax pools provide a significant advantage for Daylight Energy following the conversion by sheltering a corresponding amount of future taxable income and preventing the payment of cash taxes in 2010 and well beyond the conversion to a dividend-paying corporation.

10. What are the benefits to converting to a corporation?

Management and the Board of Directors have determined that the best strategy to create unitholder value is to continue the strategy of acquiring, exploiting and developing Daylight's inventory of repeatable, low risk exploitation resource play projects. Daylight's acquisition strategy is focused on accretive acquisitions in core areas with production and reserve upside. Management anticipates that conversion will have the following benefits, among others:

- The conversion allows for a simplified and more efficient corporate structure which is easier for market participants to understand and value;
- Daylight Energy will be managed by the same experienced team that has demonstrated its ability to deliver growth and returns to unitholders;
- The conversion may result in Daylight Energy having greater access to capital in Canada and other international markets enabling it to exploit future acquisition opportunities, compete effectively for acquisitions and pursue growth initiatives;
- The "normal growth" and "undue expansion restrictions" in the SIFT (specified investment flow-through) Rules which may limit the Trust's ability to consider strategic acquisitions will not apply to Daylight Energy following conversion;
- The more favourable tax treatment afforded to the receipt of dividends, as compared to distributions of income from a trust under current Canadian tax laws, may result in more attractive after-tax returns for certain eligible taxable Canadian investors, depending on individual circumstances. See "*Certain Canadian Federal Income Tax Considerations*"; and
- The conversion provides efficiencies and cost savings by presenting the Arrangement for approval to unitholders at the Trust's regularly scheduled annual meeting.

The payment of dividends to holders of Daylight Energy common shares is anticipated to be provided on a monthly basis.

Reasons for the Arrangement

The Board of Directors and management believe that the proposed corporate structure enables Daylight to pursue a growth-oriented strategic plan and long-term value creation for the benefit of our current unitholders and future shareholders. Given the diminished value of the income trust structure, management and the Board of Directors believe that the best opportunity for creating value is to reinvest the funds from operations into internally generated opportunities with a specific focus on Daylight's extensive high quality asset base across the Deep Basin area of Alberta and North Eastern British Columbia. By converting to a growth-oriented intermediate crude oil and natural gas producing corporation, management and the Board of Directors believes that Daylight will be in a better position to aggressively pursue these identified internal growth opportunities. Management and the Board of Directors believe that the Arrangement provides a number of compelling and strategic benefits, including, without limitation, the expectation that a conversion to a public intermediate growth-oriented crude oil and natural gas producing corporation would:

- Position Daylight to pursue the significant development potential of its high quality asset base across the Deep Basin area of Alberta and North Eastern British Columbia;
- Remove the uncertainty that exists in the income trust marketplace today;
- Permit Daylight's financial and operational performance to be more appropriately valued relative to its corporate peers;
- Enable more of its funds from operations to be directed towards attractive internal opportunities for growth and expansion with a view to capital appreciation while prudently managing its balance sheet;
- Attract new investors and provide a more liquid market for the Daylight Energy Common Shares; and
- Permit Daylight to capitalize on future external opportunities as they arise.

Still have a question that isn't answered above?

Contact Daylight Investor Relations:

Telephone: 403.232.4233

Toll-free: 1.877.266.6901

E-mail: ir@daylightenergy.ca

Web: www.daylightenergy.ca