

**IN THE MATTER OF THE PROPOSAL OF
WHITEMUD RESOURCES INC.
OF CALGARY, ALBERTA**

AMENDED PROPOSAL

On December 15, 2010, Deloitte & Touche Inc. was appointed by the Court of Queen's Bench of Alberta, Judicial District of Calgary (the "Court") as Receiver and Manager (the "Receiver"), without security, of all of the assets, undertakings and properties of Whitemud Resources Inc. ("Whitemud"), that were acquired for, or used in relation to Whitemud's business, including all proceeds thereof (the "Receivership"). A copy of the Receivership Order can be found at www.deloitte.ca under the Insolvency and Restructuring link.

~~This proposal is being filed pursuant to the BIA, Part III, Division I, for approval by the Affected Creditors~~
On March 31, 2011, the Court granted an Order (the "March 31 Order") approving the filing of a proposal by the Receiver, on behalf of Whitemud, pursuant to Part III, Division I of the BIA (this proposal and the following amendments are hereinafter collectively referred to as the "Proposal"). Pursuant to the Order, the Proposal was lodged with the Office of the Superintendent of Bankruptcy on April 1, 2011, the Proposal was mailed to the creditors of Whitemud on April 7, 2011 and a general meeting of creditors to consider the Proposal (the "First Meeting of Creditors") was held on April 21, 2011 at 2:00 p.m. at the offices of Bennett Jones LLP in Calgary, Alberta.

At the First Meeting of Creditors, the Unaffected Secured Creditor proposed substantial amendments to the Proposal, which would significantly benefit the creditors of Whitemud. As a result, the Receiver adjourned the First Meeting of Creditors so that the Proposal, as amended, could be mailed to the creditors of Whitemud.

This Proposal, as amended, is being filed pursuant to the BIA, Part III, Division I, for approval by the Affected Creditor and ratification by the Court with the full intent and hope that Whitemud will be reinstated as a going concern for the benefit of all of its stakeholders, namely: its creditors ~~of all classes, its,~~ employees and ~~its~~ shareholders. This ~~proposal~~ Proposal has the full support and backing of the Unaffected Secured Creditor.

**PART I
INTERPRETATION**

1. In this Proposal, unless otherwise stated or unless the subject matter or context otherwise requires, the following terms are defined as follows:

- (a) "Administrative Fees and Expenses" means the Receiver's Proper Fees and expenses and the Trustee's Proper Fees and expenses, including legal fees and disbursements (if any) incurred by the Receiver and the Trustee, on or incidental to the administration of the Receivership, the appointment of the Trustee, the negotiations in connection with the preparation of the Proposal, any amendments thereto and any subsequent proposals and any proceedings relating to, arising out of, or under the Proposal including the preparation and implementation of the Proposal and any subsequent proposals, including bankruptcy proceedings and including advice to Whitemud and including any fees and expenses in connection with the Receiver's duties pursuant to the Receivership Order and the Trustee's duties pursuant to the Proposal;
- (b) ~~"Affected Creditors" means holders of the Crown Claims, the Affected Secured Creditors, the Preferred Creditors and the Ordinary Unsecured Creditors; Creditor"~~ means the Regional Municipality of Old Post No. 43;
- ~~(c) "Affected Secured Creditors" means the approximately 177 Persons who hold the Existing Debentures and the Property Taxes;~~
- ~~(c)~~ "BIA" means the Bankruptcy and Insolvency Act, R.S.C. 1985;
- ~~(e)~~(d) "Claim-(s)" means any right or claim of any Person that may be asserted or made in whole or in part against Whitemud at the Claims Date, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including without limitation, by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature including, without limitation, any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect

to any matter, action, cause or chose in action whether existing at present or commenced in the future, together with any other rights or claims of any kind that, is a debt provable in bankruptcy within the meaning of the BIA;

~~(f)~~(e) "Claims Date" means December 15, 2010, the date on which the Receiver was appointed;

~~(g)~~(f) "Class "A" Common Shares" means the authorized Class "A" Common Shares of Whitemud;

~~(h)~~(g) "Class "B" Non-Voting Common Shares" means the authorized Class "B" Non-Voting Common Shares of Whitemud;

~~(i)~~(h) "Court Ratification" means (a) the approval of the Proposal by Order of the Court having received the report of the Trustee and other relevant information from Whitemud or any interested creditor, and (b) the expiry of all appeal periods in relation to such Order of the Court;

~~(j)~~ "Creditor Classes" means those creditors who are grouped together, based on commonality of interest who, pursuant to the Proposal have been separated into two classes:

~~(i)~~ the Affected Secured Creditors; and

~~(ii)~~ the holders of Crown Claims, the Preferred Creditors and the Ordinary Unsecured Creditors;

~~(k)~~(i) "Crown Claims" means those Claims of Her Majesty in right of Canada or a Province coming within Section 60(1.1) of the BIA;

~~(l)~~ "Dividend Fund" means the lesser of (i) the sum of the total Proven Claims of arm's length Ordinary Unsecured Creditors plus the Levy, and (ii) \$1,150,000, which will be held by the Trustee for the benefit of the arm's length Ordinary Unsecured Creditors. This sum will be paid to the Trustee in cash or by bank letter of credit by the Unaffected Secured Creditor on the Filing Date;

~~(m)~~ "Event of Default" under the Forbearance shall include any of the following:

~~(i)~~ if Whitemud fails to perform or comply with any of its covenants or obligations contained in this Proposal or in any other agreement or undertaking made between Whitemud and the Unaffected Secured Creditor;

~~(ii)~~ if Whitemud fails to provide any reports, certificates, information or materials required to be supplied pursuant to any security instrument or this Proposal;

- ~~(iii) — if proceedings are taken to enforce any encumbrance on the assets of Whitemud having a value in the aggregate greater than \$50,000, unless such proceedings are contested in good faith by Whitemud and security satisfactory to the Unaffected Secured Creditor has been provided to the Unaffected Secured Creditor;~~
- ~~(iv) — if the First Secured Debt ceases to constitute a first ranking (or such other ranking which is expressly agreed to in writing by the Unaffected Secured Creditor) valid and perfected security interest against the assets secured or if for any other reason the Unaffected Secured Creditor reasonably considers that the First Secured Debt, or any part thereof, is at risk;~~
- ~~(v) — if Whitemud takes any steps to challenge the validity or enforceability of the First Secured Debt or this Proposal or any parts thereof;~~
- ~~(vi) — if any legal proceeding seeking the dissolution or division or wind up of Whitemud, save for any legal proceeding to which the Unaffected Secured Creditor consents in writing, is commenced;~~
- ~~(vii) — if Whitemud commences, or seeks substantive relief, without the consent of the Unaffected Secured Creditor, in any mediation, bankruptcy, insolvency, debt restructuring, reorganization, readjustment of debt, dissolution, liquidation or other similar proceedings (including, without limitation, proceedings under the BIA, the *Winding-up and Restructuring Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Bankruptcy Code* or other similar federal, provincial or foreign legislation) including, without limitation, the filing of a proposal or plan of arrangement or a notice of intention to file same, or proceedings for the appointment of a trustee, trustee in bankruptcy, interim receiver, receiver, receiver and manager, custodian, guardian, liquidator, provisional liquidator, administrator, sequestrator or other like official with respect to Whitemud or all or any substantial part of the assets of it, or any similar relief;~~
- ~~(viii) — if a bankruptcy application or any other proceeding or case is filed, instituted, or commenced with respect to Whitemud (by any person other than the Unaffected Secured Creditor) under any bankruptcy, insolvency, debt restructuring, reorganization, incorporation, readjustment of debts, dissolution, liquidation, winding up or similar law, now or hereafter in effect, seeking the bankruptcy, liquidation, reorganization, dissolution, winding up, composition or readjustment of debts of Whitemud, the appointment of a trustee, interim receiver, receiver,~~

~~receiver and manager, custodian, guardian, liquidator, provisional liquidator, administrator, sequestrator or other like official for Whitemud, or all or any substantial part of the assets of Whitemud, or any similar relief;~~

~~(ix) if any party exercises or purports to exercise any lien right against the property and assets of Whitemud, including, without limitation, any builders' liens or operators' liens;~~

~~(x) if any creditor or other person exercises or purports to exercise any rights as against Whitemud or any of its assets, which would, in the assessment of the Unaffected Secured Creditor to be determined in its absolute discretion acting reasonably, have an adverse impact on Whitemud, or the position of the Unaffected Secured Creditor, or any priority position of the Unaffected Secured Creditor or the prospect of repayment of the First Secured Debt;~~

~~(xi) if Whitemud applies, absent the consent of the Unaffected Secured Creditor, to implement or extend any stay of proceedings; or~~

~~(xii) if, in the Unaffected Secured Creditor's opinion, a material adverse change, financial or otherwise, occurs in the business, affairs or condition of Whitemud arising for any reason whatsoever, as determined by the Unaffected Secured Creditor in its sole and unfettered discretion, acting reasonably.~~

~~(n)~~(j) "~~Existing~~ Debentures" means the 12% Convertible ~~secured~~Secured Subordinated Debentures of Whitemud due July 31, 2012 issued under the ~~Existing~~ Trust Indenture;

~~(o)~~(k) "~~Existing Trust Indenture~~" means the ~~Trust Indenture dated August 6, 2009 between Whitemud and Olympia Trust Company, as Trustee~~ "Debenture Holders" means the holders of the Debentures;

~~(p)~~(l) "Filing Date" means the date on which the Proposal ~~is~~was lodged with the Office of the Superintendent of Bankruptcy, namely April 1, 2011;

~~(q) "First Meeting of Creditors" means the meeting of creditors at which the Proposal, including any amendments thereto, will be tabled and voted upon;~~

~~(r)~~(m) "First Secured Debt" means the debt owed by Whitemud to the Unaffected Secured Creditor that is subject to a first secured charge on the property, assets and undertaking of Whitemud, which the Unaffected Secured Creditor has acquired from Canadian Western Bank;

~~(s)~~(n) "GST" means goods and services tax payable pursuant to the Excise Tax Act (Canada);

~~(t)~~(o) "Levy" means the levy payable to the Superintendent of Bankruptcy pursuant to Section 147 of the BIA;

~~(u)~~ "New Debentures" means the 10% Secured Subordinated Debentures due December 31, 2012 (a copy of which is available for viewing at www.deloitte.ca under the insolvency and restructuring link) issued under the New Trust Indenture, which will be deemed to have replaced the Existing Debentures upon Court Ratification;

~~(v)~~ "New Trust Indenture" means the Trust Indenture between Whitemud and Olympia Trust Company, as Trustee, to be dated as of the date of Court Ratification (a copy of which is available for viewing at www.deloitte.ca under the insolvency and restructuring link);

~~(w)~~(p) "Ordinary Unsecured Creditors" means those persons with Claims that are proved in respect of debts and liabilities present or future to which Whitemud was subject at the Filing Date or to which Whitemud may become subject by reason of any obligations incurred before the Filing Date, except for those Claims:

- (i) that are by the Unaffected Secured Creditor;
- (ii) that are by the Affected Secured Creditors ~~Creditor~~;
- (iii) that are Crown Claims;
- (iv) that have been finally and conclusively disallowed or found by the Court not to be provable Claims;
- (v) that are by Preferred Creditors; or
- (vi) that are for Administrative Fees and Expenses;

~~(x)~~(q) "Person" is to be broadly interpreted and includes any individual, firm, corporation, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, joint venture, government authority or any agency, officer or instrumentality thereof or any other entity, wherever situated or domiciled, and whether or not having legal status;

~~(y)~~(r) "Post Filing Goods and Services" means in respect of this Proposal the goods supplied or services rendered to Whitemud after the Filing Date and prior to Court Ratification;

~~(z)~~(s) "Post Ratification Goods and Services" means in respect of this Proposal the goods supplied or services rendered to Whitemud after Court Ratification;

~~(aa)~~(t) "Preferred Creditors" means those persons with Claims that are provable and proved under the BIA and which are required by Section 136 of the BIA to be paid in priority to the Claims of Ordinary Unsecured Creditors;

~~(bb)~~ "Property Taxes" means the claim of the RM of Old Post #43 for municipal property taxes;

~~(cc)~~(u) "Proven Claim" means a Claim by ~~an Ordinary Unsecured Creditor or an~~ the Affected ~~Secured~~ Creditor that has been accepted by the Trustee;

~~(v)~~ "Receivership Claims Process" means a process, to be approved by the Court, for determining and paying Claims whereby the remaining Unaffected Claims shall be paid in full within three months of Court Ratification;

~~(dd)~~(w) "Receiver's Proper Fees" means the time charges incurred, at normal hourly rates, by the Receiver or its duly appointed successor or successors appointed under or in connection with the carrying out of its duties pursuant to the Receivership Order;

~~(x)~~ "Trust Indenture" means the Trust Indenture dated August 6, 2009 between Whitemud and Olympia Trust Company, as Trustee;

~~(ee)~~(y) "Trustee" means Deloitte & Touche Inc. or its duly appointed successor or successors appointed under or in connection with the carrying out of this Proposal;

~~(ff)~~(z) "Trustee's Proper Fees" means the time charges incurred, at normal hourly rates, by the Trustee or its duly appointed successor or successors appointed under or in connection with the carrying out of this Proposal;

~~(aa)~~ "Unaffected Claims" means all Claims, including Claims of the Unaffected Secured Creditor, Crown Claims, Claims of the Debenture Holders, Claims of Preferred Creditors, Claims of the Ordinary Unsecured Creditors but excluding the Claim of the Affected Creditor;

~~(gg)~~(bb) "Unaffected Secured Creditor" means Kasten Energy Inc., the holder of the First Secured Debt; and

~~(hh) "Voting Claim" means the amount of the Proven Claims of the Ordinary Unsecured Creditors and the Affected Secured Creditors as determined for voting purposes in accordance with the provisions of the BIA; and~~

~~(ii)~~(cc) "Working Capital Loan" means the loan of \$1,000,000 to be made by the Unaffected Secured Creditor, of which \$200,000 ~~will be~~was paid to the Receiver ~~in cash~~ on the Filing Date, with the balance to be paid in cash to Whitemud upon Court Ratification, such funds to be used: (i) to pay the Administrative Fees and Expenses, (ii) to provide working capital to allow Whitemud to operate, maintain and preserve its assets, and (iii) to allow Whitemud to take the steps necessary to allow it to have lifted the cease trade order issued against it by the Alberta Securities Commission on December 3, 2010.

PART II

TIMING AND PAYMENT OF CLAIMS

Crown Claims

~~2. THAT all Crown Claims will be Unaffected Claims in the Proposal.~~

~~2.3.~~ THAT all Crown Claims incurred after the Filing Date and before Court Ratification shall be paid in full by the Receiver as they become due.

~~3.4.~~ THAT, ~~unless the Crown consents to an extension of the time allowed,~~ all Crown Claims incurred prior to the Filing Date shall be paid in full by the Receiver within ~~six~~three months ~~after~~of Court Ratification, as set out in the Receivership Claims Process, with funds provided to the Receiver by the Unaffected Secured Creditor ~~and,~~ which amount shall be added to the First Secured Debt.

Affected ~~Secured Creditors~~Creditor

4. ~~THAT upon Court Ratification, the Existing Debentures and the Existing Trust Indenture will be cancelled and considered to be null and void and Whitemud shall issue to the Affected Secured Creditors the New Debentures, to be issued pursuant to the terms of the New Trust Indenture. The terms of the New Debentures and the New Trust Indenture are similar in form and content to the Existing Debentures and the Existing Trust Indenture respectively, with the following changes:~~
- ~~(a) all outstanding interest and arrears due to the Affected Secured Creditors pursuant to the Existing Debentures and the Existing Trust Indenture at the time of Court Ratification has been added to and has become part of the principal amount owing under the New Debentures and the New Trust Indenture;~~
 - ~~(b) the due date of the New Trust Indenture has been extended to December 31, 2012;~~
 - ~~(c) the right to receive shares of Whitemud in lieu of debenture interest (Section 2.17 of the Existing Trust Indenture) has been deleted;~~
 - ~~(d) the Change of Control Purchase Offer provisions (Sections 3.5 to 3.9 of the Existing Trust Indenture) have been deleted;~~
 - ~~(e) the conversion provisions (Article IV of the Existing Trust Indenture) have been deleted;~~
 - ~~(f) references to Kasten Energy Inc. (the Unaffected Secured Creditor), who acquired the debt position previously held by Canadian Western Bank, have been added;~~
 - ~~(g) the interest rate has been reduced from 12% to 10%; and~~
 - ~~(h) ancillary amendments to definitions and other wording have been added throughout the New Debentures and the New Trust Indenture to conform with the changes set out in (a) to (g) hereof.~~
5. ~~THAT upon Court Ratification, the New Debentures upon issuance will be deemed to be in good standing.~~
6. ~~THAT upon Court Ratification, the former holders of Existing Debentures (then the holders of the New Debentures) shall also be issued on a pro rata basis, in further consideration for the cancellation of their Existing Debentures and the Existing Trust Indenture and the issuance of the New Debentures and the New Trust Indenture, a total of 18,923,400 Class "B" Common Shares, being 1,800 Class "B" Common Shares for each \$1,000 of principal amount of the Existing Debentures held by such Affected Secured Creditors at the time of Court Ratification.~~

~~7. THAT any Creditor and the Levy payable as a result of the Class "B" Common Shares being issued to the Affected Secured Creditors pursuant to this section will be payable in cash and not as Class "B" Common Shares.~~

~~8.5. THAT upon Court Ratification, the Property Taxes will be paid in full with funds being provided to the Trustee Receiver by the Unaffected Secured Creditor (, which amount will shall be added to the First Secured Debt owing to the Unaffected Secured Creditor).~~

Preferred Creditors

~~6. THAT all Claims of Preferred Creditors will be Unaffected Claims in the Proposal.~~

~~9.7. THAT all Claims of Preferred Creditors, including wages, salaries, commissions or compensation, for services rendered before the Filing Date shall be paid in full by the Receiver within three months of Court Ratification, as set forth in Section 136(1) of the BIA in priority to all claims of the Ordinary Unsecured Creditors out in the Receivership Claims Process, with funds being provided to the Trustee Receiver by the Unaffected Secured Creditor (, which amount shall be added to the First Secured Debt owing to the Unaffected Secured Creditor), as follows:-~~

~~(a) employees and former employees THAT all Claims of Whitemud shall be paid, immediately upon Court Ratification, amounts equal to the amounts that they would be qualified to receive under Section 136(1) of the BIA if Whitemud became bankrupt on the Filing Date;~~

~~(b)8. Preferred Creditors, including wages, salaries, commissions or compensation, for services rendered after the Filing Date and before Court Ratification will shall be paid in full by the Receiver, who will continue to manage the operations of Whitemud during that period; and~~

~~(c)9. THAT all Claims of Preferred Creditors, including wages, salaries, commissions or compensation, for services rendered after Court Ratification will shall be paid by Whitemud in the ordinary course of business.~~

Debenture Holders

~~10. THAT all Claims of Debenture Holders will be Unaffected Claims in the Proposal.~~

~~11. THAT the Debentures shall be paid in full by the Receiver subject to the Receiver obtaining Court approval for the payment of the Debentures on or before Court Ratification with funds provided to the Receiver by the Unaffected Secured Creditor.~~

12. THAT the Unaffected Secured Creditor has deposited with the Receiver the sum of \$12,995,000, which amount is anticipated to be sufficient to pay the Debentures in full.

13. THAT upon Court approval of both the Receiver paying the Debentures in full from funds provided by the Unaffected Secured Creditor and Whitemud granting security to the Unaffected Secured Creditor in respect of the amount required to pay the Debentures in full, Whitemud shall grant to the Unaffected Secured Creditor a second charge debenture (ranking in priority only behind the First Secured Debt) for the amount advanced by the Unaffected Secured Creditor to pay the Debentures (the "Second Secured Debt").

Ordinary Unsecured Creditors

~~10.14. THAT, subject to the Levy, all Proven Claims of the Ordinary Unsecured Creditors, excluding those of non-arm's length creditors, will receive payment from the Dividend Fund on the following basis: (i) payment of the lesser of the amount of their Claim or \$1,500; and (ii) as to the balance of their Claim, if any, after deducting the cash payment referred to in (i) above, each Ordinary Unsecured Creditor will receive its *pro rata pari passu* share of the remaining amount of the Dividend Fund, to be paid within three months of Court Ratification of the Proposal. all Claims of Ordinary Unsecured Creditors will be Unaffected Claims in the Proposal.~~

15. THAT the THAT all Claims of Ordinary Unsecured Creditors shall be paid in full by the Receiver within three months of Court Ratification, as set out in the Receivership Claims Process, with funds provided to the Receiver by the Unaffected Secured Creditor.

~~11. THAT the Unaffected Secured Creditor has deposited with the Receiver one or more letters of credit totalling \$2,300,000, which amount is anticipated to be sufficient to pay the estimated Crown Claims, the estimated Claims of all non-arm's length creditors are postponed pursuant to section 137 the Preferred Creditors and the estimated Claims of the BIA.~~

~~12. THAT no interest shall be charged by or paid to Preferred Creditors or Ordinary Unsecured Creditors after the Filing Date.~~

~~13.16. THAT upon filing, the amount of the Dividend Fund shall be paid by the Unaffected Secured Creditor to the Trustee for distribution in accordance with the Proposal and the BIA in full.~~

Administrative Fees and Expenses

14.17. THAT, notwithstanding anything to the contrary in the Proposal, payment of all Administrative Fees and Expenses shall be made in priority to all Claims of the Affected

~~Secured Creditors, Preferred Creditors and Ordinary Unsecured Creditors.~~Creditor. All of the Administrative Fees and Expenses ~~will~~shall be paid by Whitemud out of the proceeds of the Working Capital Loan to be advanced to Whitemud by the Unaffected Secured Creditor.

Goods and Services

~~15.~~18. THAT Claims arising in respect of Post Filing Goods and Services shall be paid in full by the Receiver, who will continue the operations and preserve the assets of Whitemud after the Filing Date and before Court Ratification.

~~16.~~19. THAT Claims arising in respect of Post Ratification Goods and Services shall be paid in full by Whitemud in the ordinary course of business.

Timing of Payments

~~17.~~20. THAT the Unaffected Secured Creditor ~~will~~shall fund the Proposal by providing the Working Capital Loan, of which \$200,000 ~~will be~~has been paid to the Receiver in cash on the Filing Date, with the balance to be paid in cash to Whitemud upon Court Ratification and by ~~paying~~providing the ~~Dividend Fund~~necessary funds to ~~pay out~~ the ~~Trustee on the filing date, to be released as soon as reasonably possible following Court Ratification~~Affected Creditor in full.

PART III UNAFFECTED SECURED CREDITOR

~~Forbearance by the Unaffected Secured Creditor~~

~~18. THAT upon Court Ratification, the Unaffected Secured Creditor shall grant to Whitemud a forbearance (the "Forbearance") until December 31, 2012 of its First Secured Debt owed to it by Whitemud, such that it will not pursue payment of such debt during that time, although interest shall continue to accrue thereon; provided, however, that in the event that one or more Events of Default shall occur, the Forbearance shall cease and be of no further effect and the Unaffected Secured Creditor shall be able to proceed to demand that the First Secured Debt be repaid in full within 24 hours of any such demand and, in default of repayment aforesaid, Whitemud acknowledges and agrees that the Unaffected Secured Creditor may take whatever steps it deems necessary or advisable to enforce the First Secured Debt as permitted by law.~~

Working Capital Loan from the Unaffected Secured Creditor

~~19-21.~~ 21. THAT upon Court Ratification, the Unaffected Secured Creditor shall advance the remaining amount due under the Working Capital Loan to Whitemud (i) to pay the Administrative Fees and Expenses, (ii) to provide working capital to allow it to maintain and preserve its assets, and (iii) to allow it to take the steps necessary to allow it to have lifted the cease trade order issued against Whitemud by the Alberta Securities Commission on December 3, 2010.

Third Charge Debenture Granted to the Unaffected Secured Creditor

~~20-22.~~ 22. THAT upon funding of the required amounts by the Unaffected Secured Creditor and Court Ratification, Whitemud shall grant to the Unaffected Secured Creditor a ~~secured~~ **secured** third charge debenture (ranking in priority only behind the First Secured Debt and the ~~New Debentures~~ **Second Secured Debt**) for ~~all amounts funded under the Proposal~~ **the amount advanced** by the Unaffected Secured Creditor (~~including to pay the amount~~ **Claims** of the ~~Dividend Fund Ordinary Unsecured Creditors~~ and the Working Capital Loan), ~~but excluding those amounts relating to the payment of the Property Taxes, Crown Claims and the Claims of the Preferred Creditors (including the corresponding Levy), which will be added to the First Secured Debt.~~

Issuance of Shares to the Unaffected Secured Creditor

~~24-23.~~ 23. THAT upon Court Ratification, in further consideration for its agreement to ~~pay the Property Taxes, the Crown Claims and the Claims of the Preferred Creditors,~~ **to fund the**

~~Dividend Fund and payments required to made by it (including the Working Capital Loan, agreeing to grant the Forbearance and) and for~~ having taken the initiative in creating this Proposal to have Whitemud reinstated as a going concern for the benefit of all of its stakeholders (being ~~the Affected Creditors,~~ its employees, its creditors and its shareholders), the Unaffected Secured Creditor (or its nominee or nominees) shall be issued 16,000,000 Class "A" Common Shares and ~~94,850,000~~110,184,100 Class "B" Non-Voting Common Shares. As a result, the current shareholders of Whitemud will continue to own 52.98% of the issued Class "A" Common Shares (being ~~12.20% of all issued shares~~) and the holders of the Existing Debentures will then own ~~16.63% of the Class "B" Non-Voting Common Shares (being 12.80% of all~~50% of all of the issued shares).

PART IV AMENDMENTS

~~22-24.~~ THAT the Proposal may be amended by Whitemud or the Trustee at any time prior to or at the continuation of the First Meeting of Creditors provided that any such amendments shall be considered by Whitemud to be in the best interests of the creditors. The Proposal may be amended or further amended by Whitemud after the First Meeting of Creditors:

- (a) If the amendment is non-substantive in nature or in the interest of all of the creditors of Whitemud, with the approval of the Inspectors only;
- (b) upon a vote conducted by the Trustee at a further meeting of creditors; and/ or
- (c) upon approval of the Court.

PART V MEETING OF CREDITORS

~~23-25.~~ THAT the Proposal will only be deemed to have been accepted by the creditors if ~~two-thirds in value and a majority in number of both~~the Affected Creditor Classes ~~have~~has voted in favour of the Proposal. ~~For greater clarity, the Affected Creditor will be the only creditor eligible to vote on the Proposal.~~

~~24-26.~~ THAT at the continuation of the First Meeting of Creditors (being the statutory meeting of the creditors to be held to consider the Proposal~~),~~ the creditors may appoint one but not exceeding a total of five inspectors under the Proposal whose duties shall be restricted to:

- (a) advising the Trustee concerning any dispute as to the validity of the claim of any creditor under this Proposal; and
- (b) advising the Trustee in respect of such matters as may be referred to the Inspectors by the Trustee.

PART VI TRUSTEE AND RECEIVER

~~25-27.~~ THAT Deloitte & Touche Inc., Licensed Trustee, shall be the Trustee acting under the Proposal ~~and the Dividend Fund shall be paid by the Unaffected Secured Creditor to the Trustee, who shall make payments therefrom as set out herein.~~

~~26-28.~~ THAT the Trustee is acting in its capacity as Trustee and not in its personal capacity and no officer, director, employee or agent of the Trustee shall incur any obligations or liabilities in connection with this Proposal or in connection with the business or liabilities of Whitemud.

~~27-29.~~ THAT the Receiver is acting in its capacity as Receiver and not in its personal capacity and no officer, director, employee or agent of the Receiver shall incur any obligations or liabilities in connection with this Proposal or in connection with the business or liabilities of Whitemud.

~~28-30.~~ THAT all monies payable under the Proposal to the ~~Ordinary Unsecured Creditors~~ Affected Creditor, shall be paid over to the Trustee who shall make the payment ~~of all dividends thereof to the Affected Creditor~~ as set out herein ~~and net of any levies payable or due under the BIA;~~

~~29-31.~~ THAT upon making the payments and distributions contemplated in Part II of this Proposal to the Affected Creditor, the Proposal shall be fully performed and the Trustee and Receiver shall be entitled to apply for their respective discharges as Trustee and Receiver. For greater certainty, neither the Trustee nor the Receiver will be responsible or liable for any obligations of Whitemud and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a wilful or wrongful act or default.

**PART VIII
MISCELLANEOUS**

~~30-32.~~ THAT the Trustee or Whitemud may apply to the Court for direction from time to time.

33. THAT as part of the Receivership Claims Process, all of the creditors of each and every class shall be under a duty to take all normal and customary steps to mitigate their respective damages.

34. THAT all Claims to which the Receivership Claims Process applies shall be subject to all of the normal and customary rights of determination by the Receiver acting reasonably.

Releases

~~31-35.~~ THAT all Claims of creditors against the former officers or directors of Whitemud that arose prior to the Filing Date and that related to the obligations of Whitemud where the directors are by law liable in their capacity as officers or directors for the payment of such obligations, shall be compromised and satisfied in full upon Court Ratification and the performance by Whitemud of its obligations under the Proposal.

~~32-36.~~ THAT the Affected ~~Creditors~~Creditor will accept the distribution in the Proposal herein as full settlement and complete satisfaction of ~~their Claims~~its Claim.

Consents, Waivers and Agreements

~~33-37.~~ THAT upon Court Ratification, ~~all~~the Affected ~~Creditors~~Creditor will be deemed to have consented and agreed to all of the provisions of the Proposal in its entirety. ~~Each~~The Affected Creditor will be deemed to have waived any default by Whitemud in any provision express or implied or in any agreement existing between the Affected Creditor and Whitemud that occurred on or prior to the Filing Date. ~~Each~~The Affected Creditor will be deemed to have agreed that, to the extent that there is any conflict between the provisions of any such agreement and the provisions of the Proposal, the provisions of the Proposal take precedence and priority and the provisions of any such agreement are amended accordingly.

Binding Effect

~~34-38.~~ THAT the provisions of the Proposal ~~will~~shall be binding on the Affected ~~Creditors~~Creditor, Whitemud and their respective heirs, executors, administrators, personal and legal representatives, successors and assigns upon Court Ratification.

PART IX

APPOINTMENT OF NEW DIRECTORS

~~35-39.~~ 39. THAT upon Court Ratification, a new board of directors of Whitemud shall be appointed consisting of five (5) directors, of which two (2) shall be appointed by the Unaffected Secured Creditor, ~~up to two (2) may be Affected Secured Creditors~~ and ~~at least one (1)~~ three (3) shall be ~~an~~-independent third ~~party~~parties (the "New Directors"). The New Directors shall hold office until the next general annual meeting of Whitemud's shareholders.

PART X

ANNULMENT OF PROPOSAL

~~36-40.~~ 40. THAT Whitemud covenants and agrees that time shall be of the essence in the Proposal, and in the event that any term, covenant or provision herein is not fully performed at the time and in the manner specified, each such deficiency shall constitute a default in the performance of a provision of the Proposal, and, subject to Section 62.1 of the BIA, Whitemud shall consent to any application for annulment of this Proposal.

37.41. If the Proposal is annulled by an Order of the Court, all payments made pursuant to the terms of the Proposal will reduce the Claims of the ~~Affected Creditors~~respective creditors of Whitemud to whom the payments were made.

DATED at Calgary, Alberta, this ~~429th~~ day of April, 2011.

**DELOITTE & TOUCHE INC. IN ITS SOLE CAPACITY AS COURT APPOINTED RECEIVER
AND MANAGER OF WHITEMUD RESOURCES INC. AND NOT IN ITS PERSONAL
CAPACITY**

By: _____
Authorized Signatory