

ARRANGEMENT AGREEMENT
BETWEEN
PETROBANK ENERGY AND RESOURCES LTD.
AND
PETROMINERALES LTD.
AND
1567725 ALBERTA LTD.

NOVEMBER 2, 2010

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ARRANGEMENT AGREEMENT

THIS AGREEMENT is made as of the 2nd day of November, 2010

BETWEEN:

PETROBANK ENERGY AND RESOURCES LTD., a corporation governed by the *Business Corporations Act* (Alberta) (“**Petrobank**”)

- and -

PETROMINERALES LTD., a corporation governed by the *International Business Corporations Act, 2000* (Bahamas) (“**Petrominerales**”)

- and -

1567725 ALBERTA LTD., a corporation governed by the *Business Corporations Act* (Alberta) (“**SpinCo**”)

WHEREAS Petro International owns 66% of the outstanding Petrominerales Common Shares;

AND WHEREAS Petrobank proposes to effect a spin-off divisive reorganization of Petrominerales pursuant to the Alberta Arrangement;

AND WHEREAS SpinCo proposes to acquire the Petrominerales Common Shares not owned by Petro International pursuant to the Bermudian Scheme of Arrangement;

AND WHEREAS the Parties have agreed to enter into this Agreement in contemplation of giving effect to the Arrangements;

NOW THEREFORE, in consideration of the premises and the covenants and agreements herein contained, the Parties covenant and agree as follows:

ARTICLE 1 – INTERPRETATION

1.01 Definitions

In this Agreement, including the recitals hereto, other than Appendix A:

“**ABCA**” means the *Business Corporations Act* (Alberta);

“**Affiliate**” means, in respect of any Person, another Person if:

- (a) one of them is the Subsidiary of the other; or
- (b) each of them is Controlled by the same Person;

“Agreed Amount” has the meaning set out in Section 6.05;

“Agreement” means this arrangement agreement, including its recitals and appendices, as the same may be amended, modified or supplemented from time to time in accordance with the terms hereof;

“Alberta Arrangement” means the arrangement under section 193 of the ABCA on the terms and subject to the conditions set forth in the Alberta Plan of Arrangement, subject to any amendments or variations thereto made in accordance with this Agreement or the Alberta Plan of Arrangement, or made at the direction of the Alberta Court in the Alberta Final Order;

“Alberta Arrangement Resolution” means the special resolution of the Petrobank Shareholders in respect of the Alberta Arrangement in accordance with the Alberta Interim Order;

“Alberta Articles of Arrangement” means the articles of arrangement in respect of the Alberta Arrangement to be filed with the Alberta Registrar;

“Alberta Certificate of Arrangement” means the certificate of arrangement to be issued by the Alberta Registrar, pursuant to subsection 193(11) of the ABCA, in order to give effect to the Alberta Articles of Arrangement;

“Alberta Court” means the Alberta Court of Queen’s Bench of Alberta;

“Alberta Final Order” means the final order of the Alberta Court approving the Alberta Arrangement, as such order may be amended or varied at any time prior to the Effective Time or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or amended, with or without variation, on appeal;

“Alberta Interim Order” means the interim order of the Alberta Court concerning the Alberta Arrangement and containing declarations and directions with respect to the Alberta Arrangement and the holding of the Petrobank Meeting, as such order may be amended or varied by the Alberta Court;

“Alberta Plan of Arrangement” means the plan of arrangement in substantially the form set out as Appendix A to this Agreement, as amended, modified or supplemented from time to time in accordance with the terms thereof;

“Alberta Registrar” means the Registrar appointed under section 263 of the ABCA;

“Applicable Law” means: (i) any applicable domestic or foreign law including any statute, subordinate legislation or treaty; and (ii) any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority having the force of law;

“Arrangements” means, collectively, the Alberta Arrangement and the Bermudian Scheme of Arrangement;

“BCA” means *The Companies Act 1981* (Bermuda);

“Bermudian Arrangement Resolution” means the resolution of the Petrominerales Shareholders in respect of the Bermudian Scheme of Arrangement in accordance with the Bermudian Directions Order;

“Bermudian Court” means the Supreme Court of Bermuda;

“Bermudian Directions Order” means the order for directions of the Bermudian Court concerning the Bermudian Scheme of Arrangement and containing declarations and directions with respect to the Bermudian Scheme of Arrangement and the holding of the Petrominerales Meeting, as such order may be amended or varied by the Bermudian Court;

“Bermudian Effective Time” means the earliest moment in time following completion of the Alberta Arrangement, subject to any amendment or variation in accordance with the terms of this Agreement, and except as otherwise specified in the Bermudian Scheme of Arrangement;

“Bermudian Final Order” means the final order of the Bermudian Court sanctioning the Bermudian Scheme of Arrangement, as such order may be amended or varied at any time prior to the Effective Time or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or amended, with or without variation, on appeal;

“Bermudian Registrar” means the Registrar of Companies appointed under section 3 of the BCA;

“Bermudian Scheme of Arrangement” means the scheme of arrangement in substantially the form set out as Appendix B to this Agreement, as amended, modified or supplemented from time to time in accordance with the terms thereof;

“Business Day” means any day on which commercial banks are open for business in Calgary, Alberta or Hamilton, Bermuda other than a Saturday, a Sunday or a day observed as a holiday in Calgary, Alberta under the laws of the Province of Alberta or the federal laws of Canada or in Hamilton, Bermuda under the laws of Bermuda;

“Circular” means the joint information circular of Petrobank and Petrominerales, including any amendments or supplements thereto and together with all appendices thereto, to be sent to Petrobank Shareholders and Petrominerales Shareholders in connection with the Petrobank Meeting and the Petrominerales Meeting, respectively;

“Claim” means any demand, action, suit, proceeding, claim, assessment, reassessment, judgment, settlement or other compromise relating thereto;

“Claim Notice” has the meaning set out in Section 6.04(a);

“Claimed Amount” has the meaning set out in Section 6.05;

“Closing” means the completion of the transactions contemplated by this Agreement;

“Control” means, when applied to a relationship between two Persons, that a Person (the **“first Person”**) is considered to control another Person (the **“second Person”**) if:

- (a) the first Person, directly or indirectly, beneficially owns or exercises control or direction over securities, interests or contractual rights of the second Person carrying votes which, if exercised, would entitle the first Person to elect a majority of the directors of the second Person, or a majority of any other Persons who have the right to manage or supervise the management of the business and affairs of the second Person, unless that first Person holds the voting securities only to secure a debt or similar obligation;
- (b) the second Person is a partnership, other than a limited partnership, and the first Person, together with any Person Controlled by the first Person, holds more than 50% of the interests (measured by votes or by value) of the partnership; or
- (c) the second Person is a limited partnership and the general partner of the limited partnership is the first Person or any Person Controlled by the first Person,

and the term “**Controlled**” has a corresponding meaning;

“**CRA**” means the Canada Revenue Agency and any successor Governmental Authority thereto;

“**Dissent Rights**” means, in respect of the Alberta Arrangement, the right of a Petrobank Shareholder to dissent in respect of the Alberta Arrangement pursuant to the procedures set forth in section 191 of the ABCA, as modified by Article 4 of the Alberta Plan of Arrangement, the Alberta Interim Order and any other order of the Alberta Court and, in respect of the Bermudian Scheme of Arrangement, the right of a Petrominerales Shareholder to dissent in respect of the Bermudian Scheme of Arrangement pursuant to the procedures set forth in the Bermudian Scheme of Arrangement, the Bermudian Directions Order and any other order of the Bermudian Court;

“**Draft Tax Rulings**” means the draft advance income tax rulings and opinions to be received by Petrobank from the CRA and provided by Petrobank to each of Petrominerales and SpinCo in connection with the Arrangements;

“**Effective Date**” means the effective date of the Alberta Arrangement, being the date shown on the Alberta Certificate of Arrangement;

“**Effective Time**” means 5:00 p.m. (Mountain Standard time) on the Effective Date, subject to any amendment or variation in accordance with the terms of this Agreement, and except as otherwise specified in the Alberta Plan of Arrangement;

“**Encumbrance**” means any mortgage, charge, pledge, lien, hypothec, security interest, encumbrance, adverse claim or right of any third party to acquire or restrict the use of property;

“**Excess**” has the meaning set out in Section 6.07;

“**Final Tax Rulings**” means the final advance income tax ruling and opinions issued by the CRA in respect of the Arrangements;

“Governmental Authority” means any: (a) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, court, tribunal, commission, board or agency, domestic or foreign; or (b) regulatory authority, including any securities commission or stock exchange;

“Indemnified Party” means each Person, actually or potentially, entitled to indemnification pursuant to Article 6;

“Indemnifying Party” means a Party that is, actually or potentially, required to indemnify an Indemnified Party pursuant to Article 6;

“Indemnity Payment” means any amount of Loss required to be paid by an Indemnifying Party pursuant to Article 6;

“Independent Accountant” has the meaning set out in Section 6.08(b)(iii);

“Loss” means any loss, liability, damage, cost, expense, fine, penalty, assessment or reassessment of whatever nature or kind, including Taxes, the reasonable out-of-pocket costs and expenses of any demand, action, suit, proceeding, claim, assessment, judgment, settlement or other compromise relating thereto and reasonable legal fees (on a solicitor and its own client basis) incurred in connection therewith, excluding loss of profits and consequential damages;

“Material Adverse Effect” means, in respect of any corporation, any change, event, development or occurrence that is, or would reasonably be expected to be, material and adverse to the business, operations, results of operations, liabilities (including contingent liabilities), obligations (whether absolute, accrued, conditional or otherwise), capital, properties, assets or financial condition of that corporation (including its Affiliates) considered as a whole after giving effect to the Arrangements or that would materially impair that corporation’s ability to perform its obligations under this Agreement or the Arrangements in any material respect;

“material fact” has the meaning attributed to such term in the Securities Act;

“misrepresentation” means an untrue statement of a material fact, or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made;

“New Petrobank Common Shares” means the new class of common shares in the capital of Petrobank to be created pursuant to the Alberta Plan of Arrangement, designated as “Common Shares” and having the rights, privileges, restrictions and conditions set out in Schedule A to the Alberta Plan of Arrangement;

“Party” means a party to this Agreement;

“Person” means and includes an individual, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, association, body corporate, unlimited liability corporation, trustee, executor, administrator, legal representative, government (including any Governmental Authority) or any other entity, whether or not having legal status;

“Petrobank Common Shares” means the common shares in the capital of Petrobank as same are constituted on the date hereof (that will be re-designated under the Alberta Plan of Arrangement as “Class A Common Shares”);

“Petrobank Shareholder” means a holder of Petrobank Common Shares;

“Petrobank Special Shares” means the non-voting, redeemable, retractable preference shares in the capital of Petrobank to be created pursuant to the Alberta Plan of Arrangement and having the rights, privileges, restrictions and conditions set out in Schedule A to the Alberta Plan of Arrangement;

“Petrobank Equity Incentive Plans” means, collectively, Petrobank’s stock option plan, deferred common share plan, incentive share compensation plan and non-employee directors share compensation plan;

“Petrobank Meeting” means the special meeting of Petrobank Shareholders (including any adjournment or postponement thereof) to be called and held in accordance with the Alberta Interim Order to consider and, if deemed advisable, to approve the Alberta Arrangement Resolution;

“Petrominerales” means Petrominerales Ltd., a corporation governed by the *International Business Companies Act, 2000* (Bahamas);

“Petrominerales Common Shares” means the shares in the capital of Petrominerales;

“Petrominerales Meeting” means the meeting of Petrominerales Shareholders (including any adjournment or postponement thereof) to be convened at the direction of the Bermudian Court to consider and, if thought fit, to approve (with or without modification) the Scheme of Arrangement;

“Petrominerales Shareholder” means a holder of Petrominerales Common Shares;

“Petro International” means Petro International Ltd., a corporation governed by the *International Business Companies Act, 2000* (Bahamas);

“Post-Arrangement Transaction” has the meaning set out in Section 4.05(b);

“Prime Rate” means the floating rate of interest established from time to time by The Toronto-Dominion Bank (and reported to the Bank of Canada) as the reference rate of interest The Toronto-Dominion Bank will use to determine rates of interest payable by its borrowers on Canadian dollar commercial loans made by The Toronto-Dominion Bank to such borrowers in Canada and designated by The Toronto-Dominion Bank as its “prime rate”;

“Recovery” has the meaning set out in Section 6.07;

“Representatives” means, collectively, the current and future directors, officers, employees, agents and advisors of a Party and their respective heirs, executors, administrators, successors and assigns;

“Rulings Applications” means all of the letter submissions made by or on behalf of Petrobank to the CRA concerning the subject matter hereof prior to the date of this Agreement, together with all such letter submissions made in connection therewith on or after the date hereof and prior to the Effective Date;

“Securities Act” means the *Securities Act* (Alberta);

“Specified Corporation” has the meaning attributed to such term in subsection 55(1) of the Tax Act;

“SpinCo Common Shares” means the common shares in the capital of SpinCo and having the rights, privileges, restrictions and conditions set out in the articles of SpinCo;

“SpinCo Equity Incentive Plans” means, collectively, SpinCo’s stock option plan, deferred common share plan and incentive share compensation plan;

“SpinCo Special Shares” means the special shares in the capital of SpinCo and having the rights, privileges, restrictions and conditions set out in the articles of SpinCo;

“Subsidiary” means, in respect of a Person at a particular time, a Person that is Controlled, directly or indirectly, by such Person;

“Tax” or **“Taxes”** includes all taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings, dues and other charges of any nature imposed by any Governmental Authority (including, without limitation, income, capital (including large corporations), withholding, consumption, sales, use, transfer, goods and services or other value-added, excise, customs, net worth, stamp, registration, franchise, payroll, employment, Canada Pension Plan contributions, employment insurance premiums, health, education, business, school, property, local improvement, development, education, development and occupation taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings, dues and charges), together with all fines, interest, penalties on or in respect of, or in lieu of or for non-collection or non-remittance of, those taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings, dues and other charges;

“Tax Act” means the *Income Tax Act* (Canada);

“Tax Benefit” has the meaning set out in Section 6.08(b)(i);

“Tax Gross-Up” means, with respect to any particular Indemnity Payment, such additional amount as is necessary to place the Indemnified Party in the same after-tax position as it would have been in had such Indemnity Payment been received tax free by the Indemnified Party. The Tax Gross-Up amount will be calculated by using the applicable combined federal and provincial income tax rate and/or the foreign tax rate applicable to the Indemnified Party and, except as provided in Section 6.08, without regard to any losses, credits, refunds or deductions that the Indemnified Party may have that could affect the amount of Tax payable on any such Indemnity Payment;

“Tax Rulings” means (i) after receipt of the Draft Tax Rulings but prior to the receipt of the Final Tax Rulings, the Draft Tax Rulings, and (ii) upon receipt of the Final Tax Rulings, the Final Tax Rulings;

“Third Party Claim” has the meaning set out in Section 6.04(a); and

“TSX” means the Toronto Stock Exchange.

1.02 Appendix

The following appendix is attached to this Agreement and forms part hereof:

- Appendix A - Alberta Plan of Arrangement
- Appendix B - Bermudian Scheme of Arrangement

1.03 Construction

In this Agreement, unless otherwise expressly stated or the context otherwise requires:

- (a) the division of this Agreement into Articles, Sections and Subsections and the use of headings are for convenience of reference only and do not affect the construction or interpretation hereof;
- (b) the words “hereunder”, “hereof” and similar expressions refer to this Agreement and not to any particular Article, Section or Subsection and references to “Articles”, “Sections” and “Subsections” are to Articles, Sections and Subsections of this Agreement;
- (c) words importing the singular include the plural and vice versa, and words importing any gender include all genders and the neuter;
- (d) the word “including”, when following any general term or statement, is not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement;
- (e) a reference to a statute or code includes every regulation promulgated thereunder, all amendments to the statute or code or to any such regulation in force from time to time, and any statute, code or regulation which supplements or supersedes such statute, code or regulation;
- (f) if any date on which any action is required to be taken under this Agreement is not a Business Day, such action will be required to be taken on the next succeeding Business Day; and

- (g) a reference to the knowledge of a Party means to the best of the knowledge of any of the officers of such Party after due inquiry.

ARTICLE 2– THE ARRANGEMENTS

2.01 Continuance of Petrominerales

As soon as reasonably practicable, Petrominerales shall take all such action as may be necessary or appropriate to continue its jurisdiction of incorporation under the BCA.

2.02 Court Approvals

- (a) As soon as reasonably practicable, Petrobank and SpinCo shall apply to the Alberta Court pursuant to section 193 of the ABCA for orders approving the Alberta Arrangement and in connection with such applications shall:
 - (i) prepare, file and diligently pursue an application for, the Alberta Interim Order, which shall provide, among other things:
 - (A) for the Persons to whom notice is to be provided in respect of the Alberta Arrangement and the Petrobank Meeting and for the manner in which such notice is to be provided;
 - (B) that the requisite approval for the Alberta Arrangement Resolution shall be at least two-thirds of the votes cast on the Alberta Arrangement Resolution by Petrobank Shareholders present in person or represented by proxy at the Petrobank Meeting;
 - (C) for the notice requirements with respect to the presentation of the application to the Alberta Court for the Alberta Final Order;
 - (D) for the grant of the Dissent Rights; and
 - (E) that the Petrobank Meeting may be adjourned or postponed from time to time by Petrobank in accordance with this Agreement without the need for additional approval of the Alberta Court;
 - (ii) subject to obtaining all necessary approvals of the Petrobank Shareholders as contemplated in the Alberta Interim Order and as may be directed by the Alberta Court in the Alberta Interim Order, take all steps necessary or desirable to submit the Alberta Arrangement to the Alberta Court and prepare, file and diligently pursue an application for the Alberta Final Order; and
 - (iii) subject to the satisfaction or waiver of the conditions set forth herein, deliver to the Alberta Registrar the Alberta Articles of Arrangement and such other documents as may be required to give effect to the Alberta Arrangement, whereupon the transactions comprising the Alberta

Arrangement shall occur and shall be deemed to have occurred in the order set out in the Alberta Plan of Arrangement without any further act or formality, except as contemplated in the Alberta Plan of Arrangement.

- (b) As soon as reasonably practicable, Petrominerales and SpinCo shall apply to the Bermudian Court pursuant to section 99 of the BCA for an order approving the Bermudian Scheme of Arrangement and in connection with such application shall:
 - (i) prepare, file and diligently pursue an application for, the Bermudian Directions Order, which shall provide, among other things:
 - (A) for the Persons to whom notice is to be provided in respect of the Bermudian Scheme of Arrangement and the Petrominerales Meeting and for the manner in which such notice is to be provided;
 - (B) that the requisite approval for the Bermudian Arrangement Resolution shall be a majority in number representing three-fourths in value of the Petrominerales Shareholders present and voting either in person or by proxy at the Petrominerales Meeting and any minority Petrominerales Shareholder approvals required under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*;
 - (C) for the notice requirements with respect to the presentation of the application to the Bermudian Court for the Bermudian Final Order;
 - (D) for the grant of the Dissent Rights; and
 - (E) that the Petrominerales Meeting may be adjourned or postponed from time to time by Petrominerales in accordance with this Agreement without the need for additional approval of the Bermudian Court;
 - (ii) subject to obtaining all necessary approvals of the Petrominerales Shareholders as contemplated in the Bermudian Directions Order and as may be directed by the Bermudian Court in the Bermudian Directions Order, take all steps necessary or desirable to submit the Bermudian Scheme of Arrangement to the Bermudian Court and prepare, file and diligently pursue an application for the Bermudian Final Order; and
 - (iii) subject to the satisfaction or waiver of the conditions set forth herein, upon the request of Petrobank (and only upon such request) promptly deliver to the Bermudian Registrar the Bermudian Scheme of Arrangement and such other documents as may be required to give effect to the Bermudian Scheme of Arrangement, whereupon the transactions comprising the Bermudian Scheme of Arrangement shall occur and shall be deemed to have occurred in the order set out in the Bermudian Scheme of

Arrangement without any further act or formality, except as contemplated in the Bermudian Scheme of Arrangement.

2.03 Effective Date and Effective Time

The Alberta Arrangement will become effective on the Effective Date and the steps to be carried out pursuant to the Alberta Plan of Arrangement will become effective commencing as at the Effective Time and in the order set out therein or as otherwise specified in the Alberta Plan of Arrangement. The Bermudian Scheme of Arrangement will become effective after the Alberta Arrangement on the Effective Date and the steps to be carried out pursuant to the Bermudian Scheme of Arrangement will become effective commencing as at the Bermudian Effective Time and in the order set out therein or as otherwise specified in the Bermudian Scheme of Arrangement.

2.04 Petrobank Approval

- (a) Petrobank represents to and in favour of Petrominerales and SpinCo that its board of directors has determined unanimously that:
 - (i) the Alberta Arrangement is fair to the Petrobank Shareholders and is in the best interests of Petrobank; and
 - (ii) it will recommend that the Petrobank Shareholders vote in favour of the Alberta Arrangement Resolution and so represent in the Circular.
- (b) Petrobank represents to and in favour of Petrominerales and SpinCo that each of its directors has advised Petrobank that he or she intends to vote all of the Petrobank Common Shares beneficially owned, directly or indirectly, or over which direction or control is exercised, by him or her in favour of the Alberta Arrangement Resolution and will, accordingly, so represent in the Circular.
- (c) For greater certainty, nothing in the foregoing or elsewhere in this Agreement shall limit the ability of the board of directors of Petrobank to act in accordance with its view of its fiduciary duties, including withdrawing, modifying or changing any such determination, recommendation or intention to vote.

2.05 Petrominerales Approval

- (a) Petrominerales represents to and in favour of Petrobank and SpinCo that its board of directors has determined unanimously that:
 - (i) the Bermudian Scheme of Arrangement is fair to the Petrominerales Shareholders and is in the best interests of Petrominerales; and
 - (ii) it will recommend that the Petrominerales Shareholders vote in favour of the Bermudian Arrangement Resolution and so represent in the Circular.

- (b) Petrominerales represents to and in favour of Petrobank and SpinCo that each of its directors has advised Petrominerales that he or she intends to vote all of the Petrominerales Common Shares beneficially owned, directly or indirectly, or over which direction or control is exercised, by him or her in favour of the Bermudian Arrangement Resolution and will, accordingly, so represent in the Circular.
- (c) For greater certainty, nothing in the foregoing or elsewhere in this Agreement shall limit the ability of the board of directors of Petrominerales to act in accordance with its view of its fiduciary duties, including withdrawing, modifying or changing any such determination, recommendation or intention to vote.

ARTICLE 3 – REPRESENTATIONS AND WARRANTIES

3.01 Mutual Representations and Warranties

Each Party represents and warrants to and in favour of the other Party that:

- (a) it is duly incorporated, amalgamated or continued and is validly existing under the laws of its governing jurisdiction and has the corporate power and authority to enter into this Agreement and, subject to obtaining the requisite approvals contemplated hereby, to perform its obligations hereunder;
- (b) except as disclosed in the Circular or in writing to the other Parties, the execution and delivery of this Agreement by it and the completion by it of the transactions contemplated herein and in the Rulings Applications do not and will not:
 - (i) result in the breach of, or violate any term or provision of, its articles or by-laws;
 - (ii) conflict with, result in the breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any agreement, instrument, license, permit or authority to which it is a party or by which it is bound, or to which any assets of such Party are subject, or result in the creation of any Encumbrance upon any of its assets under any such agreement or instrument, or give to others any interest or right, including rights of purchase, termination, cancellation or acceleration, under any such agreement, instrument, license, permit or authority, which in any case would have a Material Adverse Effect on it; or
 - (iii) violate any provisions of any Applicable Law or any judicial or administrative award, judgment, order or decree applicable and known to it, the violation of which would have a Material Adverse Effect on it;
- (c) no dissolution, winding-up, bankruptcy, liquidation or similar proceeding has been commenced or is pending or, to such Party's knowledge, is proposed in respect of it;

- (d) the execution and delivery of this Agreement and the completion of the transactions contemplated herein and in the Rulings Applications have been duly approved by its board of directors, and this Agreement constitutes a valid and binding obligation of such Party enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally and to general principles of equity and limitations upon the enforcement of indemnification for fines or penalties imposed by law; and
- (e) it is not currently contemplating taking any action, omitting to take any action or entering into any transaction which could reasonably be expected to cause the Arrangements or any related transaction to be taxed in a manner inconsistent with that requested in the Rulings Applications, nor is it aware of any proposed or contemplated offer or other transaction, whether before or after the Effective Date, involving the acquisition by any Person of Control of any Party.

3.02 Representations and Warranties of Petrobank

Petrobank represents and warrants to and in favour of Petrominerales and SpinCo that:

- (a) the authorized capital of Petrobank consists of an unlimited number of Petrobank Common Shares and an unlimited number of preferred shares, of which, as of the date hereof, only 106,056,186 Petrobank Common Shares, and no other shares, were issued and outstanding;
- (b) Petrobank has provided true and complete copies of the Rulings Applications to Petrominerales and SpinCo; and
- (c) Petrobank is a Specified Corporation.

3.03 Representations and Warranties of Petrominerales

Petrominerales represents and warrants to and in favour of Petrobank and SpinCo that the authorized capital of Petrominerales consists of an unlimited number of Petrominerales Common Shares and an unlimited number of preferred shares, of which, as of the date hereof, only 99,893,500 Petrominerales Common Shares, and no other shares, were issued and outstanding.

3.04 Representations and Warranties of SpinCo

SpinCo represents and warrants to and in favour of Petrobank and Petrominerales that:

- (a) the authorized capital of SpinCo consists of an unlimited number of SpinCo Common Shares, an unlimited number of SpinCo Special Shares and an unlimited number of preferred shares, of which, as of the date hereof, no such shares were issued and outstanding; and

- (b) it has no assets, no liabilities and it has carried on no business other than relating to, and contemplated by, this Agreement, the Arrangements or the Rulings Applications.

3.05 Survival of Representations, Warranties and Covenants

- (a) Subject to Section 3.05(b), all representations, warranties and covenants made by the Parties contained in this Agreement will remain operative and in full force and effect and, notwithstanding any investigation made by or on behalf of any Party or any other Person, or any knowledge of the beneficiaries of such representations, warranties and covenants or the knowledge of any other Person, until the earlier of the termination of this Agreement in accordance with Section 7.02 or the Effective Date, whereupon such representations, warranties and covenants will expire and be of no further force or effect.
- (b) The covenants made by each Party contained in Section 4.05 of this Agreement will survive the Effective Date and the completion of the Arrangements and shall continue in full force and effect for the benefit of each other Party, subject to Article 6.

ARTICLE 4 – COVENANTS

4.01 General Covenant

Each of Petrobank and Petrominerales (in either case, so long as its board of directors has not withdrawn its recommendation referred to in Sections 2.04(a)(ii) or 2.05(a)(ii), as the case may be,) and SpinCo will use all commercially reasonable efforts and do all things reasonably required of it to cause the Effective Date to occur on or before December 31, 2010, or such later date as Petrobank and Petrominerales may agree and announce, with such determination and announcements being no later than December 31, 2011.

4.02 Covenants of Petrobank

Petrobank will:

- (a) not, on or before the Effective Date, perform any act or enter into any transaction that could reasonably be expected to interfere or be inconsistent with the completion of the Arrangements;
- (b) as soon as practicable, convene the Petrobank Meeting;
- (c) in a timely and expeditious manner:
 - (i) forthwith carry out the terms of the Alberta Interim Order;
 - (ii) prepare, with Petrominerales, the Circular and proxy solicitation materials and any amendments or supplements thereto in accordance with Applicable Law (including that the Circular (including with respect to any

information incorporated therein by reference but excluding any information relating to Petrominerales) will not contain a misrepresentation), and file such materials in all jurisdictions where the same are required to be filed, and distribute the same as ordered by the Alberta Interim Order and in accordance with all Applicable Laws, and solicit proxies to be voted at the Petrobank Meeting in favour of the Alberta Arrangement Resolution and related matters; and

- (iii) conduct the Petrobank Meeting in accordance with the Alberta Interim Order, the by-laws of Petrobank, as applicable, and as otherwise required by Applicable Laws;
- (d) subject to obtaining all necessary approvals of the Petrobank Shareholders as contemplated in the Alberta Interim Order, forthwith proceed with and diligently prosecute an application for the Alberta Final Order;
- (e) subject to the receipt of the Alberta Final Order and the satisfaction or waiver of the conditions precedent in favour of Petrobank set out in Article 5, deliver to and file with the Alberta Registrar the Alberta Articles of Arrangement and the Alberta Final Order at such time as Petrobank deems appropriate in its sole discretion in order to give effect to the Alberta Arrangement;
- (f) on or before the Effective Date, assist and cooperate in the preparation and filing with all applicable securities commissions or similar securities regulatory authorities in Canada of all necessary applications to seek exemptions, if required, from the prospectus, registration and other requirements of the applicable securities laws of jurisdictions in Canada for the issue by Petrobank of New Petrobank Common Shares and Petrobank Special Shares, and by SpinCo of SpinCo Common Shares and SpinCo Special Shares, and other exemptions that are necessary or desirable in connection with the Alberta Arrangement;
- (g) prior to the Effective Date, obtain confirmation from the TSX of the continued listing of the New Petrobank Common Shares, and jointly with SpinCo, make application to list the SpinCo Common Shares, issuable pursuant to the Alberta Arrangement, on the TSX;
- (h) on or before the Effective Date, perform the obligations required to be performed by Petrobank under the Alberta Plan of Arrangement and do all such other acts and things, and execute and deliver all such agreements, assurances, notices and other documents and instruments, as may be necessary or desirable and are within its power and control in order to carry out and give effect to the Alberta Arrangement and any transactions necessary for the effectiveness of the Tax Rulings, including using all commercially reasonable efforts to obtain:
 - (i) the approval of Petrobank Shareholders required for the implementation of the Alberta Arrangement;

- (ii) such other consents, orders, rulings or approvals and assurances as are necessary or desirable for the implementation of the Alberta Arrangement, including those referred to in Section 5.01; and
- (iii) satisfaction of the other conditions precedent referred to in Sections 5.01 and 5.02; and
- (i) forthwith upon receipt thereof, provide a copy of the Tax Rulings to each of Petrominerales and SpinCo.

4.03 Covenants of Petrominerales

Petrominerales will:

- (a) not, on or before the Effective Date, perform any act or enter into any transaction that could reasonably be expected to interfere or be inconsistent with the completion of the Arrangements;
- (b) as soon as practicable, convene the Bermudian Meeting;
- (c) in a timely and expeditious manner:
 - (i) forthwith carry out the terms of the Bermudian Directions Order;
 - (ii) prepare, with Petrobank, the Circular and proxy solicitation materials and any amendments or supplements thereto in accordance with Applicable Law (including that the Circular (including with respect to any information incorporated therein by reference but excluding any information relating to Petrobank) will not contain misrepresentation), and file such materials in all jurisdictions where the same are required to be filed, and distribute the same as ordered by the Bermudian Directions Order and in accordance with all Applicable Laws, and solicit proxies to be voted at the Bermudian Meeting in favour of the Bermudian Arrangement Resolution and related matters; and
 - (iii) conduct the Bermudian Meeting in accordance with the Bermudian Directions Order, the by-laws of Petrominerales, as applicable, and as otherwise required by Applicable Laws;
- (d) subject to obtaining all necessary approvals of the Petrominerales Shareholders as contemplated in the Bermudian Directions Order, forthwith proceed with and diligently prosecute an application for the Bermudian Final Order;
- (e) subject to the receipt of the Bermudian Final Order and the satisfaction or waiver of the conditions precedent in favour of Petrominerales set out in Section 5.01, upon the request of Petrobank (and only upon such request) promptly deliver to and file with the Bermudian Registrar the Bermudian Scheme of Arrangement

and the Bermudian Final Order in order to give effect to the Bermudian Scheme of Arrangement;

- (f) on or before the Effective Date, assist and cooperate in the preparation and filing with all applicable securities commissions or similar securities regulatory authorities in Canada of all necessary applications to seek exemptions, if required, from the prospectus, registration and other requirements of the applicable securities laws of jurisdictions in Canada for the issue by SpinCo of SpinCo Common Shares, and other exemptions that are necessary or desirable in connection with the Bermudian Scheme of Arrangement;
- (g) prior to the Effective Date, jointly with SpinCo, make application to list the SpinCo Common Shares issuable pursuant to the Bermudian Scheme of Arrangement on the TSX;
- (h) on or before the Effective Date, perform the obligations required to be performed by Petrominerales under the Bermudian Scheme of Arrangement and do all such other acts and things, and execute and deliver all such agreements, assurances, notices and other documents and instruments, as may be necessary or desirable and are within its power and control in order to carry out and give effect to the Bermudian Scheme of Arrangement and any transactions necessary for the effectiveness of the Tax Rulings, including using all commercially reasonable efforts to obtain:
 - (i) the approval of Petrominerales Shareholders required for the implementation of the Bermudian Scheme of Arrangement;
 - (ii) such other consents, orders, rulings or approvals and assurances as are necessary or desirable for the implementation of the Bermudian Scheme of Arrangement, including those referred to in Section 5.01; and
 - (iii) satisfaction of the other conditions precedent referred to in Sections 5.01 and 5.02; and
- (i) ensure that the record date for its dividend payable to the Petrominerales Shareholders in respect of the fourth quarter of 2010 occurs prior to the Effective Date.

4.04 Covenants of SpinCo

SpinCo will:

- (a) not, on or before the Effective Date, except as specifically provided for hereunder or in connection with the Arrangements, alter or amend its constating documents, articles or by-laws as the same exist as at the date of this Agreement;
- (b) prior to the Effective Date, use its reasonable efforts to cooperate in amending the Rulings Applications, applying for such amendments or supplements to or

replacements of the Tax Rulings, and agreeing to make such amendments to this Agreement, the Alberta Plan of Arrangement and the Bermudian Scheme of Arrangement, as may be reasonably necessary to obtain or give effect to the Tax Rulings or to undertake any transaction contemplated therein or to implement the Arrangements, or as may be determined by Petrobank and Petrominerales, to enable Petrobank (or any Subsidiary) to carry out any transactions deemed advantageous by Petrobank and Petrominerales to effect a spin-off divisive reorganization of Petrominerales from Petrobank and its subsidiaries;

- (c) not, on or before the Effective Date, perform any act or enter into any transaction that could reasonably be expected to interfere or be inconsistent with the completion of the Arrangements; and
- (d) on or before the Effective Date, perform the obligations required to be performed by it under the Alberta Plan of Arrangement and the Bermudian Scheme of Arrangement and do all such other acts and things, and execute and deliver all such agreements, assurances, notices and other documents and instruments, as may be necessary or desirable and are within its power and control in order to carry out and give effect to the Arrangements, including co-operating with Petrobank and Petrominerales to obtain:
 - (i) the Alberta Final Order and the Bermudian Final Order;
 - (ii) the approval of the listing of the SpinCo Common Shares on the TSX;
 - (iii) such other consents, rulings, orders, approvals and assurances as are necessary or desirable for the implementation of the Arrangements, including those referred to in Section 5.01; and
 - (iv) satisfaction of the other conditions precedent referred to in Sections 5.01 and 5.02.

4.05 Tax-Related Covenants

- (a) Each Party covenants and agrees with and in favour of the other Party that: (i) it and any successor thereto will not, on or before the Effective Date, perform any act or enter into any transaction or permit any transaction within its control to occur that could reasonably be expected to interfere with or be inconsistent with the Tax Rulings; (ii) neither it nor any successor thereto will perform any act or enter into any transaction or permit any transaction, in each such case, within its control to occur that would cause Petrobank or any Affiliate of Petrobank that is a corporation to cease to be a Specified Corporation on or prior to the Effective Date, except as contemplated herein or in the Tax Rulings or Rulings Applications; and (iii) it and any successor thereto will fulfill, and will cause any Person that is Controlled, after the Effective Date, by it, to fulfill, all representations or undertakings provided by it, or on its behalf and made with its knowledge and consent, in the Rulings Applications or otherwise provided in writing to the CRA or tax counsel in connection with the Tax Rulings.

- (b) Each of Petrobank and SpinCo covenants and agrees with and in favour of the other that following the Effective Date, it will not (and that it will cause its Subsidiaries to not) take any actions, omit to take any action, or enter into any transaction (any of the foregoing being a “**Post-Arrangement Transaction**”) unless it reasonably believes such that such Post-Arrangement Transaction would not cause the Arrangements or any related transaction to be taxed in a manner inconsistent with that provided for in the Tax Rulings.
- (c) Each Party covenants and agrees with and in favour of the other Party to file its tax returns and make all other filings, notifications, designations and elections, including section 85 elections, pursuant to the Tax Act and to make adjustments to its stated capital accounts in accordance with the terms of the Arrangements following the Effective Date. Where an agreed amount is to be included in any such election, such amount will be within the range contemplated by the Tax Act (or applicable provincial or foreign legislation) and will be the amount contemplated by the Tax Rulings, the Arrangements and this Agreement.
- (d) Each Party covenants and agrees with and in favour of each other Party to cooperate in the preparation and filing, in the form and within the time limits prescribed or otherwise contemplated in the Tax Act, of all tax returns, filings, notifications, designations and elections under the Tax Act as contemplated in the Rulings Application, Tax Rulings, the Arrangements and this Agreement (and any similar tax returns, elections, notifications or designations that may be required under applicable provincial or foreign legislation).

ARTICLE 5 – CONDITIONS

5.01 Conditions Precedent

The obligations of Petrobank and Petrominerales to complete the transactions contemplated by this Agreement and to file the Alberta Articles of Arrangement and the Bermudian Scheme of Arrangement to give effect to the Alberta Arrangement and the Bermudian Scheme of Arrangement, respectively, are subject to the satisfaction of the following conditions which are for the benefit of each of Petrobank and Petrominerales:

- (a) the Alberta Interim Order shall have been obtained in form and substance satisfactory to Petrobank, in its sole discretion, and not have been set aside, amended or varied in a manner unacceptable to Petrobank, in its sole discretion, whether on appeal or otherwise;
- (b) the Bermudian Directions Order shall have been obtained in form and substance satisfactory to Petrobank and Petrominerales, and not have been set aside, amended or varied in a manner unacceptable to Petrobank and Petrominerales, whether on appeal or otherwise;
- (c) the Alberta Arrangement Resolution shall have been approved by the requisite number of votes cast by the Petrobank Shareholders at the Petrobank Meeting in

accordance with the provisions of the Alberta Interim Order and any applicable regulatory requirements;

- (d) the Bermudian Arrangement Resolution shall have been approved by the requisite number of votes cast by the Petrominerales Shareholders at the Petrominerales Meeting in accordance with the provisions of the Bermudian Directions Order and any applicable regulatory requirements;
- (e) the Alberta Final Order shall have been obtained in form and substance satisfactory to Petrobank, in its sole discretion;
- (f) the Bermudian Final Order shall have been obtained in form and substance satisfactory to Petrobank and Petrominerales;
- (g) the Alberta Articles of Arrangement and all necessary related documents, in form and substance satisfactory to Petrobank, in its sole discretion, shall have been accepted for filing by the Alberta Registrar together with the Alberta Final Order in accordance with subsection 193(10) of the ABCA;
- (h) the Bermudian Scheme of Arrangement and all necessary related documents, in form and substance satisfactory to Petrobank and Petrominerales shall have been accepted for filing by the Bermudian Registrar together with the Bermudian Final Order in accordance with subsection 99(3) of the BCA;
- (i) all material consents, orders, rulings, approvals, opinions and assurances, including regulatory, judicial, third party and advisor opinions, approvals and orders, required or necessary, for the completion of the transactions provided for in this Agreement, the Alberta Plan of Arrangement, the Bermudian Scheme of Arrangement, and the Final Tax Rulings shall have been obtained or received, and none of the consents, orders, rulings, approvals, opinions or assurances contemplated herein shall contain terms or conditions or require undertakings or security that are considered unsatisfactory or unacceptable by Petrobank or Petrominerales;
- (j) no action shall have been instituted and be continuing on the Effective Date for an injunction to restrain, a declaratory judgment in respect of, or damages on account of or relating to, the Alberta Arrangement or the Bermudian Scheme of Arrangement and there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by this Agreement, the Tax Rulings or the Rulings Applications and no cease trading or similar order with respect to any securities of any of the Parties shall have been issued and remain outstanding;
- (k) no law, regulation or policy shall have been proposed, enacted, promulgated or applied that interferes or is inconsistent with the completion of the Arrangements or the Tax Rulings or their effective application to the Arrangements, including any material change to the income tax laws of Canada or any province or territory thereof;

- (l) the Final Tax Rulings shall be issued in final form and shall be in form and substance satisfactory to Petrobank, Petrominerales and SpinCo, and shall remain in full force and effect and all of the transactions referred to in such Final Tax Rulings as occurring on or prior to the Effective Time will have occurred and all conditions or terms of such Final Tax Rulings shall have been satisfied;
- (m) the New Petrobank Common Shares (including shares issuable on exercise of options issued under the Petrobank Equity Incentive Plans) shall continue to be listed on the TSX and the SpinCo Common Shares (including shares issuable on exercise of options granted under the SpinCo Equity Incentive Plans) to be issued pursuant to the Arrangements shall have been conditionally approved for listing on the TSX, subject to compliance with the normal listing requirements of such exchange;
- (n) there shall have not developed, occurred or come into effect or existence any event, action or occurrence of national or international consequences, any governmental law or regulation, state, condition or major financial occurrence, including any act of terrorism, war or like event, or other occurrence of any nature, which, materially adversely affects, or could reasonably be expected to materially adversely affect, the financial markets in Canada or the United States or the business, financial condition, operations or affairs of Petrobank, Petrominerales or SpinCo, on a consolidated basis, going forward; and
- (o) this Agreement shall not have been terminated pursuant to the provisions of Section 7.02.

5.02 Dissent Conditions Precedent

- (a) The obligations of Petrobank to complete the transactions contemplated by this Agreement and to file the Alberta Articles of Arrangement to give effect to the Alberta Arrangement are conditional on (which may be waived by Petrobank without prejudice to its right to rely on any other condition in its favour) there not being, as of the Effective Date, Petrobank Shareholders that hold, in the aggregate, in excess of 0.5% of all outstanding Petrobank Common Shares that have validly exercised their Dissent Rights and not withdrawn such exercise.
- (b) The obligations of Petrominerales to complete the transactions contemplated by this Agreement and to file the Bermudian Scheme of Arrangement to give effect to Bermudian Scheme of Arrangement are conditional on (which may be waived by Petrominerales without prejudice to its right to rely on any other condition in its favour) there not being, as of the Effective Date, Petrominerales Shareholders that hold, in the aggregate, in excess of 0.5% of all outstanding Petrominerales Common Shares that have validly exercised their dissent rights and not withdrawn such exercise.

5.03 Conditions to Obligation of Each Party

The obligation of each Party to complete the transactions contemplated by this Agreement is further subject to the conditions (which may be waived by such Party without prejudice to its right to rely on any other condition in its favour) that: (i) the covenants of each other Party to be performed on or before the Effective Date pursuant to the terms of this Agreement will have been duly performed in all material respects; (ii) except as set forth in this Agreement, the Alberta Plan of Arrangement, the Bermudian Scheme of Arrangement, the Tax Rulings or the Rulings Applications, the representations and warranties of the other Party will be true and correct in all material respects as at the Effective Date, with the same effect as if such representations and warranties had been made at, and as of, such date; and (iii) each Party will receive a certificate, dated the Effective Date, of a senior officer of the other Party confirming the matters in (i) and (ii) above.

5.04 Merger/Waiver of Conditions

The conditions set out in Sections 5.01, 5.02 and 5.03 will be conclusively deemed to have been satisfied, waived or released (i) by Petrobank and SpinCo, on the filing by Petrobank of the Alberta Articles of Arrangement under the ABCA to give effect to the Alberta Plan of Arrangement, and (ii) by Petrominerales, on the filing by Petrominerales of the Bermudian Scheme of Arrangement under the BCA to give effect to the Bermudian Scheme of Arrangement.

ARTICLE 6 – INDEMNITIES

6.01 Indemnity by Petrobank

Petrobank will indemnify and hold harmless SpinCo and Petrominerales against any Loss suffered or incurred, directly or indirectly, by such Indemnified Party as a result of or in connection with:

- (a) any inaccuracy or misrepresentation in any representation or warranty of Petrobank in this Agreement;
- (b) any breach of any covenant of Petrobank in this Agreement;
- (c) any Taxes arising as a consequence of an action or omission that causes the transactions set out in the Tax Ruling to be taxed in a manner different than as set out in the Tax Ruling (whether or not there is any inaccuracy or misrepresentation in any representation or warranty or breach of any covenant of Petrobank), other than a Loss arising as a result of a breach of a covenant of Petrominerales or Spinco contained in Section 4.05; and
- (d) any Taxes arising as a result of any Person acquiring Control of Petrobank, which acquisition causes the Arrangements or any related transaction to be taxed in a manner inconsistent with that provided in the Tax Rulings.

6.02 Indemnity by Petrominerales

Petrominerales will indemnify and hold harmless Petrobank against any Loss suffered or incurred, directly or indirectly, by Petrobank as a result of or in connection with:

- (a) any inaccuracy or misrepresentation in any representation or warranty of Petrominerales in this Agreement;
- (b) any breach of any covenant of Petrominerales in this Agreement; and
- (c) any Taxes arising as a result of any Person acquiring Control of SpinCo, which acquisition causes the Arrangements or any related transaction to be taxed in a manner inconsistent with that provided in the Tax Rulings.

6.03 Indemnity by SpinCo

SpinCo will indemnify and hold harmless Petrobank against any Loss suffered or incurred, directly or indirectly, by Petrobank as a result of or in connection with:

- (a) any inaccuracy or misrepresentation in any representation or warranty of SpinCo in this Agreement;
- (b) any breach of any covenant of SpinCo in this Agreement; and
- (c) any Taxes arising as a result of any Person acquiring Control of SpinCo, which acquisition causes the Arrangements or any related transaction to be taxed in a manner inconsistent with that provided in the Tax Rulings.

6.04 Procedure for Third Party Claims

- (a) Promptly after an Indemnified Party has received notice or has knowledge of any pending or threatened Claim asserted by a third party or the commencement of any Claim by a third party in respect of which indemnification shall be sought hereunder (a “**Third Party Claim**”), the Indemnified Party shall give the Indemnifying Party written notice (a “**Claim Notice**”) describing in reasonable detail the nature and basis of the Third Party Claim and, if ascertainable, the amount in dispute under the Third Party Claim.
- (b) Subject to the limitations set forth in this Section 6.04(b), in the event of a Third Party Claim, the Indemnifying Party shall have the right (exercisable by written notice to the Indemnified Party within fifteen (15) days after the Indemnifying Party has received a Claim Notice in respect of the Third Party Claim) to elect to conduct and control, through counsel of its choosing that is reasonably acceptable to the Indemnified Party and at the Indemnifying Party’s sole cost and expense, the defense, compromise or settlement of the Third Party Claim if the Indemnifying Party: (i) has acknowledged and agreed in writing that, if the same is adversely determined, the Indemnifying Party shall provide indemnification to the Indemnified Party in respect thereof; and (ii) if requested by the Indemnified

Party, has provided evidence reasonably satisfactory to the Indemnified Party of the Indemnifying Party's financial ability to pay any Losses resulting from the Third Party Claim; provided, however, that the Indemnified Party may participate therein through separate counsel chosen by it and at its sole cost and expense. Notwithstanding the foregoing, if: (A) the Indemnifying Party shall not have given notice of its election to conduct and control the defense of the Third Party Claim within such fifteen (15) day period; (B) the Indemnifying Party shall fail to conduct such defense diligently and in good faith; (C) the Indemnified Party shall reasonably determine that use of counsel selected by the Indemnifying Party to represent the Indemnified Party would present such counsel with an actual or potential conflict of interest; or (D) the Third Party Claim is for injunctive, equitable or other non-monetary relief against the Indemnified Party, then in each such case the Indemnified Party shall have the right to control the defense, compromise or settlement of the Third Party Claim with counsel of its choice at the Indemnifying Party's sole cost and expense. In connection with any Third Party Claim, from and after delivery of a Claim Notice, the Indemnifying Party and the Indemnified Party shall, and shall cause their respective Affiliates and Representatives to, cooperate fully in connection with the defense or prosecution of such Third Party Claim, including furnishing such records, information and testimony and attending such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested by the Indemnifying Party or the Indemnified Party in connection therewith. In addition, the party controlling the defense of any Third Party Claim shall keep the non-controlling party advised of the status thereof and shall consider in good faith any recommendations made by the non-controlling party with respect thereto.

- (c) Except as set forth below, no Third Party Claim may be settled or compromised: (i) by the Indemnified Party without the prior written consent of the Indemnifying Party (not to be unreasonably withheld, conditioned or delayed); or (ii) by the Indemnifying Party without the prior written consent of the Indemnified Party (not to be unreasonably withheld, conditioned or delayed). Notwithstanding the foregoing: (A) the Indemnified Party shall have the right to pay, settle or compromise any Third Party Claim, provided that in such event the Indemnified Party shall waive all rights against the Indemnifying Party to indemnification under this Article 6 with respect to such Third Party Claim unless the Indemnified Party shall have sought the consent of the Indemnifying Party to such payment, settlement or compromise and such consent shall have been unreasonably withheld, conditioned or delayed; and (B) the Indemnifying Party shall have the right to consent to the entry of a judgment or enter into a settlement with respect to any Third Party Claim without the prior written consent of the Indemnified Party if the judgment or settlement (x) involves only the payment of money damages (all of which will be paid in full by the Indemnifying Party concurrently with the effectiveness thereof), (y) will not encumber any of the assets of the Indemnified Party and will not contain any restriction or condition that would apply to or adversely affect the Indemnified Party or the conduct of its business, and (z) includes, as a condition to any settlement or other resolution, a complete

and irrevocable release of the Indemnified Party from all liability in respect of such Third Party Claim and includes no admission of wrongdoing.

6.05 Procedure for Direct Claims

In the event that an Indemnified Party advances a Claim for indemnification hereunder that does not involve a Third Party Claim, the Indemnified Party shall, as promptly as practicable, deliver to the Indemnifying Party a written notice that contains: (a) a description and the amount (the “**Claimed Amount**”) of any Losses incurred or suffered by the Indemnified Party; (b) a statement that the Indemnified Party is entitled to indemnification under this Article 6 and a reasonable explanation of the basis therefor; and (c) a demand for payment by the Indemnifying Party. Within thirty (30) days after delivery of such written notice, the Indemnifying Party shall deliver to the Indemnified Party a written response in which the Indemnifying Party shall: (i) agree that the Indemnified Party is entitled to receive all of the Claimed Amount (in which case such response shall be accompanied by a payment by the Indemnifying Party of the Claimed Amount); (ii) agree that the Indemnified Party is entitled to receive part, but not all, of the Claimed Amount (the “**Agreed Amount**”) (in which case such response shall be accompanied by payment by the Indemnifying Party of the Agreed Amount); or (iii) contest that the Indemnified Party is entitled to receive any of the Claimed Amount. If the Indemnifying Party contests the payment of all or any part of the Claimed Amount, the Indemnifying Party and the Indemnified Party shall use good faith efforts to resolve such dispute as promptly as practicable. If such dispute is not resolved within 60 days or such longer period as may reasonably be required in order to properly exchange all relevant information following the delivery by the Indemnifying Party of such response, the Indemnified Party and the Indemnifying Party shall each have the right to submit such dispute to a court of competent jurisdiction in accordance with Section 8.11.

6.06 Failure to Give Timely Notice

The failure to give timely notice under this Article 6 will not affect the rights or obligations of any Party except to the extent (and only to the extent) that, as a result of such failure, the Party that was entitled to receive such notice suffered damage or was otherwise adversely prejudiced.

6.07 Reductions and Subrogation

If at any time subsequent to the making of any Indemnity Payment, the amount of the indemnified Loss is reduced (other than any reduction in the amount of the indemnified Loss that arises as a consequence of the realization of any Tax Benefit by the Indemnified Party or any of its Affiliates) pursuant to any claim, recovery, settlement or payment by or against any other Person (a “**Recovery**”), such that, taking the Recovery into account, the amount of the Indemnity Payment in respect of the Loss exceeds the amount of the Loss, the Indemnified Party must promptly repay to the Indemnifying Party the amount of the excess (the “**Excess**”) (less any costs, expenses (including Taxes) or premiums incurred in connection therewith) together with interest: (a) from the date of payment of the Indemnity Payment in respect of which the repayment is being made to but excluding the earlier of the date of repayment of the Excess and the date that is 60 days after the Excess arises, but only to the extent that the Recovery giving

rise to the Excess included interest, at the rate applied to the amount of the Recovery; and (b) from and including the date that is 60 days after the Excess arises to but excluding the date of repayment of the Excess, at the Prime Rate. Notwithstanding the foregoing provisions of this Section, no payment must be made under this Section 6.07 to the extent the Indemnified Party is entitled to an Indemnity Payment hereunder that remains unpaid. Upon making a full Indemnity Payment, the Indemnifying Party will, to the extent of such Indemnity Payment, be subrogated to all rights of the Indemnified Party against any third party in respect of the Loss to which the Indemnity Payment relates. Until the Indemnified Party recovers full payment of its Loss, any and all claims of the Indemnifying Party against such third party on account of such Indemnity Payment will be postponed and subordinated in right of payment to the Indemnified Party's rights against such third party.

6.08 Tax Effect/Tax Benefit

- (a) If any Indemnity Payment received or accrued by an Indemnified Party would constitute income for tax purposes to such Indemnified Party, the Indemnifying Party will pay a Tax Gross-Up to the Indemnified Party at the same time and on the same terms, as to interest and otherwise, as the Indemnity Payment. Notwithstanding the foregoing provisions of this Section 6.08, if an Indemnity Payment would otherwise be included in the Indemnified Party's income, the Indemnified Party covenants and agrees to make all such elections, filings, notifications or designations and take such actions as are available, acting reasonably, to minimize or eliminate Taxes with respect to the Indemnity Payment.
- (b) (i) The amount of any Loss for which indemnification is provided will be adjusted to take into account any Tax Benefit realized by the Indemnified Party or any of its Affiliates by reason of the Loss for which indemnification is so provided or the circumstances giving rise to such Loss. For the purposes of Section 6.07 and this Section, "**Tax Benefit**" shall mean: (i) an amount equal to any actual reduction in the Indemnified Party's (or Affiliate's) liability for Taxes or any actual increase in the Indemnified Party's (or Affiliate's) Tax refund recognized by the Indemnified Party (or Affiliate) in the taxation period of the Indemnified Party (or Affiliate) in which the Loss is incurred; plus, without duplication, (ii) the discounted present value of any future such tax benefit reasonably anticipated by the Indemnified Party (or Affiliate) to be actually recognized by within 10 years after the end of the calendar year in which the Loss is incurred, taking into account, where relevant, the existing and anticipated future tax attributes of the Indemnified Party and its Affiliates, and utilizing a discount rate equal to 10 percent and effective tax rate equal to: (a) where a tax benefit is realized with respect to Canadian federal and/or provincial Taxes, the maximum combined Canadian federal and applicable provincial income tax rate applicable to a Canadian public corporation in effect at the end of the year in which the Loss is incurred, and (b) where a tax benefit is realized with respect to foreign (non-Canadian federal and/or provincial) Taxes (including, where

applicable, state or local Taxes), the maximum foreign tax rate applicable to corporations in effect at the end of the year in which the Loss is incurred, in each case taking into consideration all increases and/or decreases in such rate(s) proposed by the relevant Governmental Authority at such time.

- (ii) For greater certainty, the provisions of Section 6.07 shall not apply to any adjustment pursuant to the provisions of this Section.
- (iii) Each Party will, when requested in writing by another Party, act commercially reasonably in cooperating with all other applicable Parties to determine the applicability, if any, of this Section 6.08(b) to any Claim. If such determination is not mutually agreed among the applicable Parties within 60 days of such written request, then the disagreement shall be submitted to an accounting firm of recognized national standing in Canada, which is independent of the Parties (the “**Independent Accountant**”). If the applicable Parties are unable to agree on the Independent Accountant within 10 days of the end of such 60 day period, any Party may apply under the *Arbitration Act* (Alberta) to have a court appoint such accounting firm. The Independent Accountant shall, as promptly as reasonable (but in any event within 45 days following its appointment), make a determination of the applicability of this Section 6.08(b) to such Claim on the basis contemplated herein, based on written submissions submitted by the applicable Parties to the Independent Accountant. The decision of the Independent Accountant as to the applicability of this Section 6.08(b) to such Claim shall be final and binding upon the Parties and will not be subject to appeal absent manifest error. The fees and expenses of the Independent Accountant with respect to the resolution of the dispute shall be paid by the applicable Parties in such proportions as are determined by the Independent Accountant. The Independent Accountant will be deemed to be acting as an expert and not an arbitrator.

6.09 Payment and Interest

Except as specified herein, all Losses (other than Taxes) will bear interest at a rate per annum, calculated and payable monthly, equal to the Prime Rate from and including the date the Indemnified Party disbursed funds or suffered or incurred a Loss to, but excluding, the day of payment by the Indemnifying Party to the Indemnified Party, with interest on overdue interest at the same rate. All Losses that are Taxes will bear interest at a rate per annum, calculated and payable monthly, equal to the Prime Rate from and including the date the Indemnified Party paid such Taxes to, but excluding, the day of payment by the Indemnifying Party to the Indemnified Party of the Indemnity Payment in respect of such Taxes, with interest on overdue interest at the same rate.

6.10 Exclusive Remedy

Except for remedies for injunctive or equitable relief, claims for fraud or intentional misrepresentation or as otherwise expressly provided in this Agreement, the indemnification rights set forth in this Article 6 shall be the sole and exclusive remedy for any Claim arising out of this Agreement.

6.11 Mitigation

Nothing in this Agreement shall in any way restrict or limit the general obligation at law of an Indemnified Party to mitigate any Loss which it may suffer or incur by reason of the breach by an Indemnifying Party of any representation, warranty, covenant, obligation or agreement of the Indemnifying Party hereunder. If any such Loss can be reduced by any recovery, settlement or otherwise under or pursuant to any insurance coverage, or pursuant to any claim, recovery, settlement or payment by or against any other Person, the Indemnified Party shall take all appropriate and reasonable steps to enforce such recovery, settlement or payment. Notwithstanding the foregoing, no Indemnified Party shall have any obligation to mitigate any Loss prior to or in connection with any application of remedies for injunctive or equitable relief.

ARTICLE 7– AMENDMENT AND TERMINATION

7.01 Amendment

This Agreement may, at any time and from time to time after the date hereof, but not later than the Effective Date, be amended by written agreement of the Parties without, subject to Applicable Law, further notice to or authorization on the part of their respective shareholders. Without limiting the generality of the foregoing, any such amendment may:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation contained herein or in any document to be delivered pursuant hereto;
- (c) except as otherwise provided herein, waive compliance with or modify any of the covenants contained herein or waive or modify performance of any of the obligations of the Parties; or
- (d) make such alterations, modifications or amendments to this Agreement as the Parties may consider necessary or desirable in connection with the Tax Rulings, the Alberta Interim Order, Alberta Final Order, the Bermudian Directions Order or Bermudian Final Order.

7.02 Termination

- (a) This Agreement may, at any time after the date hereof, but prior to the issue of the Alberta Certificate of Arrangement, be terminated by:

- (i) Petrobank in its sole discretion at any time without the approval of the Petrobank Shareholders, Petrominerales Shareholders, Petrominerales or SpinCo and nothing expressed or implied herein or in the Alberta Plan of Arrangement or in the Bermudian Scheme of Arrangement shall be construed as fettering the absolute discretion of Petrobank to elect to terminate this Agreement and discontinue efforts to effect the Arrangements for whatever reason it may consider appropriate; or
 - (ii) Petrominerales or Petrobank at any time without the approval of Petrobank Shareholders, Petrominerales Shareholders or the other Parties if the Final Tax Rulings are not in form and substance satisfactory to Petrominerales or Petrobank, as applicable.
- (b) This Agreement will terminate without any further action by the Parties if the Effective Date has not occurred on or before December 31, 2011.

ARTICLE 8 – GENERAL

8.01 Notices

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and delivered personally or by courier or by facsimile addressed to the recipient as follows:

To Petrobank:

1900, 111-5th Avenue S.W.
Calgary, Alberta T2P 3Y6

Attention: Peter Cheung
Fax No.: 403-233-2249

To Petrominerales:

Calle 116 No. 7-15 Interior 2
Edificio Torre Cusezar
Piso 6
Bogotá, Colombia

Attention: Corey Ruttan
Fax No.: +57-1-629-4723

To SpinCo:

Calle 116 No. 7-15 Interior 2
Edificio Torre Cusezar
Piso 6
Bogotá, Colombia

Attention: Corey Ruttan
Fax No.: +57-1-629-4723

or other such address that a Party may, from time to time, advise the other Parties by notice in writing given in accordance with the foregoing. The date of receipt of any such notice will be deemed to be the date of actual delivery thereof or, if given by facsimile, on the day of transmittal thereof if given during the normal business hours of the recipient with written confirmation of receipt by fax and verbal confirmation of same and on the next Business Day, if not given during such hours.

8.02 Time of Essence

Time is of the essence of this Agreement.

8.03 Further Assurances

Each of the Parties will from time to time execute and deliver such further documents and instruments and do all acts and things as any other Party may before the Effective Date reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

8.04 Assignment

No Party may assign its rights or obligations under this Agreement or the Arrangements without the prior written consent of the other Party (which consent will not be unreasonably withheld or delayed), provided that no such consent will be required for any Party to assign its rights and obligations under this Agreement and the Arrangements to a corporate successor to such Party or to a purchaser of all or substantially all of the assets of such Party.

8.05 Binding Effect

This Agreement will be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns, and specific references to “successors” elsewhere in this Agreement will not be construed to be in derogation of the foregoing.

8.06 Waiver

Any waiver or release of any of the provisions of this Agreement, to be effective, must be in writing executed by the Party granting the same.

8.07 Costs and Expenses

Whether or not the transactions contemplated by this Agreement are completed or this Agreement is terminated, Petrobank will pay or cause to be paid all costs and expenses of, or incidental to, the performance of its obligations hereunder and all reasonable and documented costs and expenses of, or incidental to, all other matters in connection with the transactions contemplated hereunder, including those incurred by Petrominerales and SpinCo (net of any credits received by Petrominerales or SpinCo from the TSX).

8.08 No Personal Liability

- (a) No Representative of Petrobank shall have any personal liability whatsoever to Petrominerales or SpinCo on behalf of Petrobank under this Agreement, the Alberta Plan of Arrangement, the Bermudian Scheme of Arrangement or any other document delivered in connection with any of the foregoing;
- (b) No Representative of Petrominerales shall have any personal liability whatsoever to SpinCo or Petrobank on behalf of Petrominerales under this Agreement, the Bermudian Scheme of Arrangement, the Alberta Plan of Arrangement or any other document delivered in connection with any of the foregoing; and
- (c) No Representative of SpinCo shall have any personal liability whatsoever to Petrobank or Petrominerales on behalf of SpinCo under this Agreement, the Alberta Plan of Arrangement, the Bermudian Scheme of Arrangement or any other document delivered in connection with any of the foregoing.

8.09 Invalidity of Provisions

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule or Applicable Law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

8.10 Entire Agreement

This Agreement, the Alberta Plan of Arrangement, the Bermudian Scheme of Arrangement and the other agreements and instruments contemplated hereby and thereby or entered into or delivered in connection herewith or therewith, constitute the entire agreement between the Parties pertaining to the subject matter hereof and thereof. There are no warranties, conditions, or representations (including any that may be implied by statute), and there are no agreements, in connection with such subject matter except as specifically set forth or referred to in this Agreement, the Alberta Plan of Arrangement, the Bermudian Scheme of Arrangement and such other agreements and instruments contemplated hereby and thereby or entered into or delivered in connection herewith or therewith, or as otherwise set out in writing and delivered at

Closing. No reliance is placed on any warranty, representation, opinion, advice or assertion of fact made by any Party or its Representatives to any other Party or its Representatives except to the extent that the same has been reduced to writing and included as a term of this Agreement, the Alberta Plan of Arrangement, the Bermudian Scheme of Arrangement, such other agreements and instruments contemplated hereby and thereby or entered into or delivered in connection herewith or therewith, or as otherwise set out in writing and delivered at Closing. Accordingly, there will be no liability, either in tort or in contract, assessed in relation to any such warranty, representation, opinion, advice or assertion of fact, except to the extent aforesaid.

8.11 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein without regard to conflicts of law principles. Each of the Parties agrees that any action or proceeding arising out of or relating to this Agreement may be instituted in the courts of Alberta, waives any objection which it may have now or later to the venue of that action or proceeding, irrevocably submits to the non-exclusive jurisdiction of those courts in that action or proceeding and agrees to be bound by any judgment of those courts.

8.12 No Third Party Beneficiaries

Except as otherwise provided in Sections 8.04, 8.05 and 8.07, this Agreement is not intended to confer on any Person other than the Parties any rights or remedies.

8.13 Counterparts

This Agreement may be executed in any number of original, facsimile or “pdf” counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF the Parties have executed this Agreement.

PETROBANK ENERGY AND RESOURCES LTD.

By: (signed) "Peter Cheung"
Name: Peter Cheung
Title: Vice President Finance and
Chief Financial Officer

By: _____
Name:
Title:

PETROMINERALES LTD.

By: (signed) "Corey Ruttan"
Name: Corey Ruttan
Title: President and Chief Executive Officer

By: _____
Name:
Title:

1567725 ALBERTA LTD.

By: (signed) "Corey Ruttan"
Name: Corey Ruttan
Title:

By: _____
Name:
Title:

Appendix A

Alberta Plan of Arrangement

**PLAN OF ARRANGEMENT UNDER SECTION 193 OF
THE BUSINESS CORPORATIONS ACT (ALBERTA)**

ARTICLE 1 – INTERPRETATION

1.01 Definitions

In this Plan of Arrangement, other than the Schedules:

“**ABCA**” means the *Business Corporations Act* (Alberta);

“**arm’s length**” has the meaning attributed to such term in subsection 251(1) of the Tax Act;

“**Arrangement**” means the arrangement under section 193 of the ABCA on the terms and subject to the conditions set forth in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the Arrangement Agreement or this Plan of Arrangement, or made at the direction of the Court in the Final Order;

“**Arrangement Agreement**” means the arrangement agreement made as of November 2, 2010, between Petrobank, Petrominerales Ltd. and SpinCo, as it may be amended, modified or supplemented from time to time in accordance with its terms;

“**Arrangement Resolution**” means the special resolution of the Petrobank Shareholders in respect of the Arrangement in accordance with the Interim Order;

“**Articles of Arrangement**” means the articles of arrangement of Petrobank and SpinCo in respect of the Arrangement required by the ABCA to be filed with the Registrar after the Final Order is made;

“**Business Day**” means any day on which commercial banks are open for business in Calgary, Alberta other than a Saturday, a Sunday or a day observed as a holiday in Calgary, Alberta under the laws of the Province of Alberta or the federal laws of Canada;

“**Certificate of Arrangement**” means the certificate of arrangement to be issued by the Registrar, pursuant to subsection 193(11) of the ABCA, in order to give effect to the Articles of Arrangement;

“**Court**” means the Court of Queen’s Bench of Alberta;

“**Dissent Rights**” means the right of a Petrobank Shareholder to dissent in respect of the Arrangement pursuant to the procedures set forth in section 191 of the ABCA, as modified by Article 4 of this Plan of Arrangement, the Interim Order and any other order of the Court;

“**Dissenting Shareholder**” means a Petrobank Shareholder who validly dissents from the Arrangement Resolution in compliance with the Dissent Rights and who has not withdrawn the exercise of such Dissent Rights and is ultimately determined to be paid fair value in respect of the Petrobank Common Shares held by such Petrobank Shareholder;

“**Distribution Property**” means the SubCo Shares owned by Petrobank immediately before the Distribution Property Exchange;

“**Distribution Property Exchange**” has the meaning set out in Section 3.01(1)(d);

“Effective Date” means the effective date of the Arrangement, being the date shown on the Certificate of Arrangement;

“Effective Time” means 5:00 p.m. (Mountain Standard time) on the Effective Date, subject to any amendment or variation in accordance with the terms of the Arrangement Agreement, and except as otherwise specified for the transactions referred to in Section 3.01(2);

“Eligible Dividend” has the meaning attributed to such term in subsection 89(1) of the Tax Act;

“Eligible Holder” means a Petrobank Shareholder (which, for greater certainty, does not include a Dissenting Shareholder):

- (a) who is resident in Canada for purposes of the Tax Act and not exempt from tax under Part I of the Tax Act;
- (b) who is a non-resident of Canada for the purposes of the Tax Act and whose Petrobank Common Shares constitute taxable Canadian property (as defined in the Tax Act and the Tax Proposals) to the holder provided that any gain realized by the holder on a disposition at fair market value of Petrobank Common Shares would not be exempt from tax under the Tax Act by virtue of any applicable Tax Convention; or
- (c) which is a partnership that owns Petrobank Common Shares if one or more of the partners thereof would be described in either of (a) or (b) above if such partner directly held such Petrobank Common Shares;

“Encumbrance” means any mortgage, charge, pledge, lien, hypothec, security interest, encumbrance, adverse claim or right of any third party to acquire or restrict the use of property;

“fair market value” means the highest price available in an open and unrestricted market between informed prudent parties acting at arm’s length and under no compulsion to act and contracting for a taxable purchase and sale, expressed in terms of cash;

“Final Order” means the final order of the Court approving the Arrangement, as such order may be amended or varied at any time prior to the Effective Time or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or amended, with or without variation, on appeal;

“Initial SpinCo Share Exchange” has the meaning set out in Section 3.01(1)(c);

“Initial Petrobank Share Exchange” has the meaning set out in Section 3.01(1)(b);

“Interim Order” means the interim order of the Court dated November ●, 2010 concerning the Arrangement and containing declarations and directions with respect to the Arrangement and the holding of the Meeting, as such order may be amended or varied by the Court;

“Listing Time” means the time, immediately after the completion of the transactions referred to in Section 3.01(1), when both the New Petrobank Common Shares continue to be listed, and the SpinCo Common Shares are listed, on the TSX;

“Meeting” means the special meeting of Petrobank Shareholders (including any adjournment or postponement thereof) to be called and held in accordance with the Interim Order to consider and, if deemed advisable, to approve the Arrangement Resolution;

“New Petrobank Common Shares” means the new class of common shares in the capital of Petrobank created pursuant to this Plan of Arrangement, designated as “Common Shares” and having the rights, privileges, restrictions and conditions set out in Schedule A to this Plan of Arrangement;

“Person” means and includes an individual, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, association, body corporate, unlimited liability corporation, trustee, executor, administrator, legal representative, government (including any governmental authority) or any other entity, whether or not having legal status, except that, for the purposes of the definition of “Eligible Holder” in this Plan of Arrangement, a “person” shall have the same meaning as for the purposes of the Tax Act and, where Petrobank Common Shares are held by a trustee under a bare trust arrangement, the beneficiary and not the trustee shall be regarded as the holder of such Petrobank Common Shares and any property substituted therefor;

“Petrobank” means Petrobank Energy and Resources Ltd., a corporation governed by the ABCA;

“Petrobank Common Shares” means the currently existing common shares in the capital of Petrobank (that will be re-designated under this Plan of Arrangement as “Class A Common Shares”);

“Petrobank Redemption Note” has the meaning set out in Section 3.01(2)(b);

“Petrobank Shareholder” means a holder of Petrobank Common Shares;

“Petrobank Special Shares” means the non-voting, redeemable, retractable preference shares in the capital of Petrobank created pursuant to this Plan of Arrangement and having the rights, privileges, restrictions and conditions set out in Schedule A to this Plan of Arrangement;

“Plan of Arrangement” means this plan of arrangement, including its Schedules, as it may be amended, modified or supplemented from time to time in accordance with the terms hereof;

“Prime Rate” means the floating rate of interest established from time to time by The Toronto-Dominion Bank (and reported to the Bank of Canada) as the reference rate of interest The Toronto-Dominion Bank will use to determine rates of interest payable by its borrowers on Canadian dollar commercial loans made by The Toronto-Dominion Bank to such borrowers in Canada and designated by The Toronto-Dominion Bank as its “prime rate”;

“PUC” means paid-up capital, and has the meaning attributed to such term in subsection 89(1) of the Tax Act;

“Registrar” means the Registrar appointed under section 263 of the ABCA;

“Required Fraction” means the number obtained by dividing (i) the number of Petrominerales Common Shares owned beneficially by Petrobank (within the meaning of section 5 of the *Securities Act* (Alberta)) immediately prior to the Effective Time by (ii) the number of Petrobank Common Shares outstanding immediately prior to the Effective Time, rounded to the nearest four decimal places;

“SpinCo” means 1567725 Alberta Ltd., a corporation governed by the ABCA;

“SpinCo Common Shares” means the common shares in the capital of SpinCo;

“SpinCo Redemption Note” has the meaning set out in Section 3.01(2)(a);

“**SpinCo Special Shares**” means the special shares in the capital of SpinCo and having the rights, privileges, restrictions and conditions set out in the articles of SpinCo;

“**SubCo**” means Petro International Ltd., a corporation governed by the *International Business Companies Act, 2000* (Bahamas);

“**SubCo Shares**” means the common shares and preferred shares of SubCo;

“**Tax Act**” means the *Income Tax Act* (Canada);

“**Tax Convention**” means any bilateral tax convention to which Canada is a party that is in force as at the Effective Time;

“**Tax Proposals**” means all specific proposals to amend the Tax Act that have been announced or published by or on behalf of the Minister of Finance (Canada) prior to the Effective Time;

“**Transfer Agent**” means Computershare Trust Company of Canada, as registrar and transfer agent of Petrobank, or such other Person as may be designated by Petrobank; and

“**TSX**” means the Toronto Stock Exchange.

1.02 Construction

In this Plan of Arrangement, unless otherwise expressly stated or the context otherwise requires:

- (a) the division of this Plan of Arrangement into Articles and Sections and the use of headings are for convenience of reference only and do not affect the construction or interpretation hereof;
- (b) the words “hereunder”, “hereof” and similar expressions refer to this Plan of Arrangement and not to any particular Article or Section and references to “Articles” and “Sections” are to Articles and Sections of this Plan of Arrangement;
- (c) words importing the singular include the plural and vice versa, and words importing any gender include all genders and the neuter;
- (d) the word “including”, when following any general term or statement, is not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement; and
- (e) a reference to a statute or code includes every regulation promulgated thereunder, all amendments to the statute or code or to any such regulation in force from time to time, and any statute, code or regulation which supplements or supersedes such statute, code or regulation.

1.03 Schedules

The following is the Schedule to this Plan of Arrangement:

Schedule A - Share Conditions attaching to Petrobank Common Shares, New
Petrobank Common Shares and the Petrobank Special Shares

ARTICLE 2 – ARRANGEMENT AGREEMENT

(1) This Plan of Arrangement is made pursuant to, is subject to the provisions of and forms part of, the Arrangement Agreement.

(2) This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issuance of the Certificate of Arrangement, will become effective at, and be binding at and after, the Effective Time.

(3) The Articles of Arrangement and the Certificate of Arrangement shall be filed and issued, respectively, with respect to the Arrangement in its entirety. The Certificate of Arrangement shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein.

(4) Other than as expressly provided for herein, no portion of this Plan of Arrangement shall take effect with respect to any Person until the Effective Time. Further, each of the events listed in Article 3 shall be, without affecting the timing set out in Article 3, mutually conditional, such that no event described in Article 3 may occur without all steps occurring, and those events shall effect the integrated transaction which constitutes the Arrangement.

ARTICLE 3 – THE ARRANGEMENT

3.01 Arrangement

(1) At the Effective Time, the events and transactions set out in Sections 3.01(1)(a) to 3.01(1)(e), inclusive, will occur and be deemed to occur, unless otherwise provided, in the order set out below, without any further act or formality, and with each event or transaction occurring and being deemed to occur immediately after the occurrence of the immediately preceding event or transaction:

(a) the articles of Petrobank will be amended to change the designation of the Petrobank Common Shares from “Common Shares” to “Class A Common Shares” and to increase the voting rights of the Petrobank Common Shares from one vote to two votes per Petrobank Common Share, and to create and authorize the issuance of (in addition to the shares that Petrobank is authorized to issue immediately before the Effective Time) the following two new classes of shares:

- (i) an unlimited number of New Petrobank Common Shares; and
- (ii) an unlimited number of Petrobank Special Shares,

and the rights, privileges, restrictions and conditions attaching to each such class of shares of Petrobank will be as set out in Schedule A to this Plan of Arrangement;

(b) each Petrobank Shareholder will simultaneously transfer to Petrobank, with good and marketable title thereto and free from any Encumbrances, all of the Petrobank Common Shares held by such Petrobank Shareholder (other than Petrobank Common Shares in respect of which Dissent Rights are validly exercised), and as the sole consideration for each Petrobank Common Share so transferred, Petrobank will issue to each such

Petrobank Shareholder one New Petrobank Common Share and one Petrobank Special Share (the “**Initial Petrobank Share Exchange**”). In connection with the Initial Petrobank Share Exchange:

- (i) subject to Section 3.01(1)(b)(ii), the amount in the stated capital account maintained by Petrobank for the Petrobank Common Shares will be deducted from such account and a portion thereof will be added to the stated capital account maintained by Petrobank for each of the New Petrobank Common Shares and the Petrobank Special Shares based on the proportion thereof that the fair market value of each of such two classes of shares is of the fair market value of the Petrobank Common Shares so exchanged, with all such fair market values determined in accordance with the authorization of the board of directors of Petrobank at the time of the Initial Petrobank Share Exchange;
 - (ii) the amounts to be added to the stated capital accounts maintained by Petrobank for the New Petrobank Common Shares and Petrobank Special Shares pursuant to Section 3.01(1)(b)(i) will not, in the aggregate, be greater than the PUC of the Petrobank Common Shares so exchanged at the time of the Initial Petrobank Share Exchange; and
 - (iii) all of the Petrobank Common Shares acquired by Petrobank pursuant to the Initial Petrobank Share Exchange will be cancelled
- (c) each Petrobank Shareholder will simultaneously transfer to SpinCo, with good and marketable title thereto and free from any Encumbrances, all of the Petrobank Special Shares held by such Petrobank Shareholder, and, as the sole consideration for each Petrobank Special Share so transferred, SpinCo will issue to each such Petrobank Shareholder the Required Fraction of one SpinCo Common Share (the “**Initial SpinCo Share Exchange**”). While each Petrobank Shareholder’s fractional SpinCo Common Shares will be combined, no fractional SpinCo Common Shares will be issued and Petrobank Shareholders will not receive any compensation in lieu thereof. In connection with the Initial SpinCo Share Exchange:
 - (i) if requested by an Eligible Holder within 90 days after the Effective Date, SpinCo will jointly elect with such Eligible Holder to have the provisions of subsection 85(1) of the Tax Act (or, in the case of an Eligible Holder that is a partnership, subsection 85(2) of the Tax Act), and the corresponding provisions of any applicable provincial legislation, apply to the Initial SpinCo Share Exchange with the agreed amount to be specified by such Eligible Holder (subject to the limitations set out in the Tax Act and any applicable provincial legislation); and
 - (ii) in accordance with the ABCA, SpinCo will add to the stated capital account maintained by SpinCo for the SpinCo Common Shares an amount that will not exceed the aggregate PUC of the Petrobank Special Shares so transferred to SpinCo less the amount, if any, by which the aggregate PUC of the Petrobank Special Shares that are the subject of elections under subsection 85(1) or 85(2) of the Tax Act exceeds the aggregate agreed amounts specified in such elections;
- (d) Petrobank will transfer to SpinCo all of the Distribution Property (the “**Distribution Property Exchange**”), with good and marketable title thereto and free from any

Encumbrances. As the consideration for the Distribution Property so transferred by Petrobank to SpinCo, SpinCo will issue to Petrobank 100 SpinCo Special Shares, having an aggregate redemption amount, as determined pursuant to the articles of SpinCo, equal to the fair market value of the Distribution Property at the time of transfer; and

- (e) in connection with the Distribution Property Exchange:
 - (i) SpinCo and Petrobank will jointly elect to have the provisions of subsection 85(1) of the Tax Act apply to the transfer of the Distribution Property. The agreed amount in respect of the election will not exceed the fair market value of the Distribution Property. The agreed amount will be an amount equal to the cost amount (for the purposes of the Tax Act) of the Distribution Property to Petrobank;
 - (ii) in accordance with the ABCA, the amount added to the stated capital of SpinCo Special Shares issued by SpinCo to Petrobank as described in Section 3.01(1)(d), will be equal to the agreed amount described in Section 3.01(1)(e)(i) for the Distribution Property; and
 - (iii) as a result of the transfer of the Distribution Property to SpinCo, the net fair market value of the property received by SpinCo will be equal to or approximate that proportion of the net fair market value of all property owned by Petrobank immediately before the transfer that:
 - (A) the aggregate fair market value of the Petrobank Special Shares owned by SpinCo immediately before the transfer, is of
 - (B) the aggregate fair market value of all the issued and outstanding shares of Petrobank immediately before the transfer.
- (2) Immediately after the Listing Time, the events and transactions set out in Sections 3.01(2)(a) to 3.01(2)(e), inclusive, will occur and be deemed to occur in the order set out below, without any further act or formality, and with each event or transaction occurring and being deemed to occur immediately after the occurrence of the immediately preceding event or transaction:
 - (a) SpinCo will redeem for cancellation all of the outstanding SpinCo Special Shares held by Petrobank for an amount equal to the aggregate redemption amount (as determined pursuant to the articles of SpinCo) for such SpinCo Special Shares and will issue to Petrobank as the sole consideration therefor a demand promissory note (the “**SpinCo Redemption Note**”) in a principal amount equal to such aggregate redemption amount and bearing interest at a rate equal to the Prime Rate from the date of demand for payment to the date of payment in full and absolute payment, satisfaction and discharge of such aggregate redemption amount, with the risk of the SpinCo Redemption Note being dishonoured. The amount of any deemed dividend resulting from the application of subsection 84(3) of the Tax Act to the redemption of all of the outstanding SpinCo Special Shares is hereby designated by SpinCo as an Eligible Dividend;
 - (b) Petrobank will redeem for cancellation all of the outstanding Petrobank Special Shares held by SpinCo for an amount equal to the aggregate redemption amount (as determined pursuant to the articles of Petrobank) for such Petrobank Special Shares and will issue to SpinCo as the sole consideration therefor a demand promissory note (the “**Petrobank**

Redemption Note”) in a principal amount equal to such aggregate redemption amount and bearing interest at a rate equal to the Prime Rate from the date of demand for payment to the date of payment in full and absolute payment, satisfaction and discharge of such aggregate redemption amount, with the risk of the Petrobank Redemption Note being dishonoured. The amount of any deemed dividend resulting from the application of subsection 84(3) of the Tax Act to the redemption of all of the outstanding Petrobank Special Shares is hereby designated by Petrobank as an Eligible Dividend;

- (c) Petrobank will pay the principal amount of the Petrobank Redemption Note by transferring to SpinCo the SpinCo Redemption Note, and the SpinCo Redemption Note will be accepted by SpinCo in full and absolute payment, satisfaction and discharge of Petrobank’s obligations under the Petrobank Redemption Note. The Petrobank Redemption Note and the SpinCo Redemption Note will thereupon be cancelled;
- (d) the articles of Petrobank will be amended to remove all of the Petrobank Special Shares and Petrobank Common Shares from the authorized capital of Petrobank (and to remove all references to the Petrobank Special Shares and Petrobank Common Shares), such that, following such amendment, Petrobank will be authorized to issue an unlimited number of New Petrobank Common Shares and an unlimited number of preferred shares;
- (e) the articles of SpinCo will be amended to remove all of the SpinCo Special Shares from the authorized capital of SpinCo (and to remove all references to the SpinCo Special Shares), such that, following such amendment, SpinCo will be authorized to issue an unlimited number of SpinCo Common Shares and an unlimited number of preferred shares;

(3) All amounts of stated capital for purposes of the ABCA to be determined under this Plan of Arrangement will be determined in accordance with the authorization of the board of directors of the applicable corporation, subject to the limitations in this Plan of Arrangement.

(4) Outside and not as part of this Plan of Arrangement, the articles of SpinCo will be restated and the restated articles of SpinCo will be filed with the Registrar pursuant to section 180 of the ABCA.

(5) Outside and not as part of this Plan of Arrangement, the articles of Petrobank will be restated and the restated articles of Petrobank will be filed with the Registrar pursuant to section 180 of the ABCA.

ARTICLE 4 – RIGHTS OF DISSENT

4.01 Rights of Dissent

(1) Petrobank Shareholders may exercise Dissent Rights in connection with the Arrangement with respect to their Petrobank Common Shares pursuant to and in the manner set forth in the Interim Order, section 191 of the ABCA and this Section 4.01, as the same may be modified by the Interim Order or the Final Order. Petrobank Shareholders who duly exercise such Dissent Rights and who:

- (a) are ultimately entitled to be paid fair value for their Petrobank Common Shares shall be deemed not to have participated in the transactions in Article 3 and shall be deemed to have transferred such Petrobank Common Shares to Petrobank immediately prior to the Effective Time and cancelled without any further act or formality, and free and clear of

all Encumbrances, in consideration of a debt-claim against Petrobank to be paid the fair value of such Petrobank Common Shares, which fair value shall be determined as of the close of business on the Business Day before the day on which the Final Order was made, and will not be entitled to any other payment or consideration, and the name of each such Dissenting Shareholder will thereupon be removed from the register of holders of Petrobank Common Shares; or

- (b) are ultimately not entitled, for any reason, to be paid fair value for their Petrobank Common Shares shall be deemed to have participated in the Arrangement on the same basis as any non-dissenting Petrobank Shareholder as at and from the Effective Time and will be treated in the same manner as such a holder, on the basis set out in this Plan of Arrangement.

(2) All payments made to a Dissenting Shareholder pursuant to this Article shall be subject to, and paid net of, all applicable withholding taxes.

ARTICLE 5 – CERTIFICATES AND PAYMENTS

5.01 Entitlement to Share Certificates and Payments

(1) Upon the Arrangement becoming effective, share certificates previously representing Petrobank Common Shares that were exchanged in accordance with the provisions of this Plan of Arrangement will represent the New Petrobank Common Shares and SpinCo Common Shares to be issued to Petrobank Shareholders under this Plan of Arrangement.

(2) As soon as practicable after the Effective Date, there will be delivered to each Petrobank Shareholder of record at the close of business on the Effective Date certificates representing the SpinCo Common Shares to which such holder is entitled pursuant to the provisions of this Plan of Arrangement.

(3) The certificates representing Petrobank Common Shares will be deemed for all purposes thereafter to be certificates representing New Petrobank Common Shares and, accordingly, no new certificates will be issued representing such New Petrobank Common Shares.

(4) Share certificates representing the SpinCo Common Shares will be sent to Petrobank Shareholders by first class mail at the most recent address for each Petrobank Shareholder on the list of registered Petrobank Shareholders maintained by the Transfer Agent.

(5) No certificates will be issued for shares that are issued and subsequently cancelled in accordance with the provisions of this Plan of Arrangement.

(6) All dividends or other distributions, if any, made with respect to any SpinCo Common Shares allotted and issued pursuant to this Arrangement but for which a certificate has not been issued shall be paid or delivered to the Transfer Agent to be held by the Transfer Agent in trust for the registered holder thereof. The Transfer Agent shall pay and deliver to any such registered holder, as soon as reasonably practicable after application therefor is made by the registered holder to the Transfer Agent in such form as the Transfer Agent may reasonably require, such dividends and distributions to which such holder is entitled, net of applicable withholding and other taxes.

5.02 Withholding Taxes

Each of Petrobank and SpinCo (and its transfer agent on its behalf) shall be entitled to deduct and withhold from any consideration otherwise payable hereunder such amounts as each of Petrobank and SpinCo (and its transfer agent on its behalf) is required to deduct and withhold with respect to such payment under the Tax Act, the *United States Internal Revenue Code of 1986* or any provision of provincial, state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes as having been paid to the holder of the Petrobank Common Shares, SpinCo Special Shares or SpinCo Common Shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted in accordance with applicable law to the appropriate taxing authority.

ARTICLE 6 – AMENDMENTS

6.01 Amendments

(1) Subject to compliance with the terms of this Article 6, Petrobank and SpinCo may amend, modify or supplement this Plan of Arrangement at any time provided that each such amendment must be: (i) set out in writing; (ii) approved by each party to the Arrangement Agreement; and (iii) filed with the Court.

(2) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Petrobank and SpinCo at any time prior to or at the Meeting (provided that each party to the Arrangement Agreement shall have consented thereto) with or without any other prior notice or communication to Petrobank Shareholders, and if so proposed and accepted by the Persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

(3) Petrobank and SpinCo may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time after the Meeting but prior to the Effective Time (provided that each party to the Arrangement Agreement shall have consented thereto) with the approval of the Court and, if and as required by the Court, after communication to Petrobank Shareholders.

(4) Any amendment, modification or supplement to this Plan of Arrangement may be made at any time following the Effective Time, but prior to the restatement of the articles of Petrobank and SpinCo, by Petrobank and SpinCo without the approval of the Court, the Petrobank Shareholders or the shareholders of SpinCo, provided that it concerns a matter which, in the reasonable opinion of Petrobank and SpinCo, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement or is not adverse to the financial or economic interests of any holder or former holder of Petrobank Common Shares or any holder of SpinCo Common Shares.

SCHEDULE A

Share Conditions attaching to the Petrobank Common Shares, the New Petrobank Common Shares and the Petrobank Special Shares at the time of the amendment contemplated in Section 3.01(1)(a)

1. The rights, privileges, restrictions and conditions attaching to the Class A Common Shares are as follows:
 - (a) **Payment of Dividends:** The holders thereof shall have the right to receive any dividend declared by the Corporation.
 - (b) **Participation upon Liquidation, Dissolution or Winding Up:** The holders thereof shall have the right to receive the remaining property of the Corporation on dissolution, liquidation, winding up or other distribution of its assets or property among its shareholders for the purpose of winding up its affairs.
 - (c) **Voting Rights:** The holders thereof shall have the right to two votes per share at any meeting of the shareholders of the Corporation.
2. The rights, privileges, restrictions and conditions attaching to the Common Shares are as follows:
 - (a) **Payment of Dividends:** The holders thereof shall have the right to receive any dividend declared by the Corporation.
 - (b) **Participation upon Liquidation, Dissolution or Winding Up:** The holders thereof shall have the right to receive the remaining property of the Corporation on dissolution, liquidation, winding up or other distribution of its assets or property among its shareholders for the purpose of winding up its affairs.
 - (c) **Voting Rights:** The holders thereof shall have the right to one vote per share at any meeting of the shareholders of the Corporation.
3. The rights, privileges, restrictions and conditions attaching to the Special Shares are as follows:
 - (a) **Dividends:** The holders of the Special Shares will be entitled to receive non-cumulative cash dividends, if, as and when declared by the Board, in such amounts and payable in such manner and at such times as the Board may from time to time determine. The Board may, in its sole discretion, declare dividends on the Special Shares to the exclusion of any other class of shares of the Corporation.
 - (b) **Liquidation, Dissolution or Winding Up:** In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Special Shares will be entitled to receive, before any amount shall be paid by the Corporation or any assets of the Corporation shall be distributed to the holders of Class A Common Shares and Common Shares or holders of any other shares of any other class of the Corporation, an amount equal to the Redemption Amount (as defined in paragraph 3(c) below) in respect of each Special Share held by them, respectively, to the extent of the amount or value of the assets of the Corporation available under applicable law for payment to holders of shares of the Corporation upon liquidation, dissolution or winding up of the Corporation. After payment to the holders of the Special Shares of the amount provided

above in this paragraph 3(b), such holders will not be entitled to share in any further distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs.

- (c) **Redemption by Corporation:** The Corporation may redeem at any time the whole, or from time to time any part, of the then issued and outstanding Special Shares from the holders thereof on payment (which may, at the discretion of the Corporation, be made through the issuance of a promissory note or promissory notes) of: (i) an amount for each Special Share to be redeemed equal to the aggregate fair market value of all of the issued and outstanding Petrobank Common Shares immediately before the issuance of the Special Shares as described in Section 3.01(1)(b) of the Plan of Arrangement multiplied by the Butterfly Proportion and then divided by the number of Special Shares so issued; and (ii) all declared and unpaid dividends on such Special Share. The amount contemplated by items (i) and (ii) above in this paragraph 3(c) is referred to herein as the **“Redemption Amount”**. For the purposes of this paragraph 3(c):

“Butterfly Proportion” means the fraction A/B where:

- | | |
|---|--|
| A | is the Net Fair Market Value of the Distribution Property to be transferred by the Corporation to SpinCo as described in Section 3.01(1)(d) of the Plan of Arrangement determined immediately before such transfer; and |
| B | is the Net Fair Market Value of all property owned by the Corporation immediately before the transfer of the Distribution Property by the Corporation to SpinCo as described in Section 3.01(1)(d) of the Plan of Arrangement; |

“Distribution Property” has the meaning attributed to such term in the Plan of Arrangement;

“Net Fair Market Value” of any property shall be determined on a consolidated basis in accordance with all administrative policies of the Canada Revenue Agency in effect at the time the Special Shares are issued and, in determining Net Fair Market Value, the following principles will apply:

- (i) any tax-related accounts in any corporation (such as deferred income taxes, the balance of non-capital losses and the balance of net capital losses) will not be considered to be property of that corporation;
- (ii) the amount of any liability will be its principal amount;
- (iii) no amount will be considered to be a liability unless it represents a true legal liability which is capable of quantification;
- (iv) the portion of the long-term debt due within one year will be treated as a current liability; and
- (v) liabilities of a corporation will include its respective partnership share of each liability of any partnership of which such corporation is a partner; and

“**Petrobank Common Shares**” has the meaning attributed to such term in the Plan of Arrangement;

“**Plan of Arrangement**” means the Plan of Arrangement to which this Schedule A is attached; and

“**SpinCo**” has the meaning attributed to such term in the Plan of Arrangement.

- (d) **Retraction by Holder:** Subject to applicable law, a holder of Special Shares will be entitled to require the Corporation to redeem, at any time, all or any of the Special Shares held by such holder, by tendering to the Corporation at its registered office a share certificate or certificates representing the Special Shares that the holder wishes to have the Corporation redeem together with a written request specifying the number of Special Shares to be redeemed and the business day (referred to herein as the “**Retraction Date**”) on which the holder wishes to have the Corporation redeem the Special Shares. Following receipt of such share certificate or certificates and written request, the Corporation will, on the Retraction Date (or as soon as practicable thereafter), redeem such Special Shares by paying to the holder the Redemption Amount for each Special Share so redeemed.
- (e) **Cancellation:** Any Special Shares that are redeemed by the Corporation as aforesaid will for all purposes be considered to have been redeemed on, and will be cancelled concurrently with, the payment of the Redemption Amount by the Corporation to or for the benefit of the holder thereof.
- (f) **No Dilution:** For so long as any Special Shares are outstanding, the Corporation will not: (i) declare or pay any dividend on the shares of any other class of the Corporation; or (ii) redeem, purchase for cancellation or otherwise acquire any shares of any other class of the Corporation, if, in the opinion of the Board, the payment of such dividend or the consideration payable in connection with such redemption, purchase or other acquisition, as the case may be, would reduce the net realizable value of the assets of the Corporation (after taking into account all liabilities of the Corporation) to an amount that is less than the product of the Redemption Amount of each Special Share multiplied by the number of Special Shares outstanding immediately before the time of payment of such dividend or consideration, as the case may be.
- (g) **Voting Rights:** Subject to applicable law, holders of the Special Shares will not be entitled to receive notice of or to attend any meeting of the shareholders of the Corporation and will not be entitled to vote at any such meeting.
- (h) **Specified Amount:** For the purposes of subsection 191(4) of the Income Tax Act (Canada), the amount specified in respect of each Special Share shall be the amount specified by a Director or an Officer of the Corporation in a certificate that is made (i) effective concurrently with the issuance of such Special Share; and (ii) pursuant to a resolution of the Board duly passed and evidenced in writing authorizing the issuance of such Special Share, such amount to be expressed as a dollar amount (and not expressed as a formula) and shall be equal to the fair market value of the consideration for which such Special Share is issued.

Appendix B

Bermudian Scheme of Arrangement

**IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
(COMMERCIAL COURT)
2010 NO •**

IN THE MATTER OF PETROMINERALES LTD.

AND

IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981

SCHEME OF ARRANGEMENT

Between

PETROMINERALES LTD.

and

THE HOLDERS OF PETROMINERALES SHARES (as defined herein)

ARTICLE 1 – PRELIMINARY

1.01 Definitions

In this Scheme of Arrangement unless the context otherwise requires or unless otherwise expressly provided for, the following expressions shall bear the following meanings:

“**ABCA**” means the *Business Corporations Act* (Alberta);

“**Alberta Arrangement**” has the meaning set forth in the Arrangement Agreement;

“**arm’s length**” has the meaning attributed to such term in subsection 251(1) of the Tax Act;

“**Arrangement Agreement**” means the arrangement agreement made as of November 2, 2010, between Petrobank, Petrominerales and SpinCo, as it may be amended, modified or supplemented from time to time in accordance with its terms;

“**Arrangement Resolution**” means the resolution of the Petrominerales Shareholders in respect of this Scheme of Arrangement to be voted on at the Meeting in accordance with the Directions Order;

“**BCA**” means the *Companies Act 1981* of Bermuda;

“**Business Day**” means any day on which commercial banks are open for business in Calgary, Alberta or Hamilton, Bermuda, other than a Saturday, a Sunday or a day observed as a holiday in Calgary, Alberta under the laws of the Province of Alberta or the federal laws of Canada or in Hamilton, Bermuda under the laws of Bermuda;

“**Court**” means the Supreme Court of Bermuda;

“**Directions Order**” means the order for directions of the Court dated November 9, 2010 concerning this Scheme of Arrangement and containing declarations and directions with respect to this Scheme of Arrangement and the holding of the Meeting, as such order may be amended or varied by the Court;

“**Dissent Rights**” means the right of a Petrominerales Shareholder, other than Petro International, to dissent in respect of this Scheme of Arrangement pursuant to the procedures set forth in Schedule A hereto (which procedures are substantially the same as those set out in section 191 of the ABCA), as modified by Article 4 of this Scheme of Arrangement, the Directions Order and any other order of the Court;

“**Dissenting Shareholder**” means a Petrominerales Shareholder, other than Petro International, who validly dissents from the Arrangement Resolution in compliance with the Dissent Rights and who has not withdrawn the exercise of such Dissent Rights and is ultimately determined to be paid fair value in respect of the Petrominerales Common Shares held by such Petrominerales Shareholder;

“**Effective Date**” means the date on which this Scheme of Arrangement becomes effective in accordance with Article 2 of this Scheme of Arrangement;

“**Effective Time**” means the earliest moment in time following completion of the Alberta Arrangement, subject to any amendment or variation in accordance with the terms of the Arrangement Agreement and provided that the Final Order has been filed with the Registrar;

“**Eligible Holder**” means a Petrominerales Shareholder (which, for greater certainty, does not include Petro International or a Dissenting Shareholder):

- (a) who is resident in Canada for purposes of the Tax Act and not exempt from tax under Part I of the Tax Act;
- (b) who is a non-resident of Canada for the purposes of the Tax Act and whose Petrominerales Common Shares constitute taxable Canadian property (as defined in the Tax Act and the Tax Proposals) to the holder provided that any gain realized by the holder on a disposition at fair market value of Petrominerales Common Shares would not be exempt from tax under the Tax Act by virtue of any applicable Tax Convention; or
- (c) which is a partnership that owns Petrominerales Common Shares if one or more of the partners thereof would be described in either of (a) or (b) above if such partner directly held such Petrominerales Common Shares;

“**Encumbrance**” means any mortgage, charge, pledge, lien, hypothec, security interest, encumbrance, adverse claim or right of any third party to acquire or restrict the use of property;

“**fair market value**” means the highest price available in an open and unrestricted market between informed prudent parties acting at arm’s length and under no compulsion to act and contracting for a taxable purchase and sale, expressed in terms of cash;

“**Final Order**” means the final order of the Court sanctioning this Scheme of Arrangement, as such order may be amended or varied at any time prior to the Effective Time or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or amended, with or without variation, on appeal;

“Letter of Transmittal” means the letter of transmittal to be sent to the Petrominerales Shareholders pursuant to which Petrominerales Shareholders are required to deliver certificates representing Petrominerales Common Shares to receive certificates representing the SpinCo Common Shares issuable to them pursuant to this Scheme of Arrangement.

“Meeting” means the meeting of Petrominerales Shareholders (including any adjournment or postponement thereof) to be convened at the direction of the Court to consider and, if thought fit, to approve (with or without modification) this Scheme of Arrangement;

“Person” means and includes an individual, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, association, body corporate, unlimited liability corporation, trustee, executor, administrator, legal representative, government (including any governmental authority) or any other entity, whether or not having legal status, except that, for the purposes of the definition of “Eligible Holder” in this Scheme of Arrangement, a “person” shall have the same meaning as for the purposes of the Tax Act and, where Petrominerales Common Shares are held by a trustee under a bare trust arrangement, the beneficiary and not the trustee shall be regarded as the holder of such Petrominerales Common Shares and any property substituted therefor;

“Petrobank” means Petrobank Energy and Resources Ltd., a corporation duly incorporated under the laws of the Province of Alberta, Canada governed by the ABCA;

“Petro International” means Petro International Ltd., a corporation incorporated under the laws of The Bahamas;

“Petrominerales” means Petrominerales Ltd. a company duly continued in and under the laws of Bermuda with the registration number ●;

“Petrominerales Common Shares” means the issued and outstanding common shares of \$1 each in the capital of Petrominerales;

“Petrominerales Shareholder” means a holder of Petrominerales Common Shares;

“Registrar” means the Registrar of Companies appointed under section 3 of the BCA;

“Scheme of Arrangement” means the scheme of arrangement under section 99 of the BCA on the terms and subject to the conditions set forth in this Scheme of Arrangement, subject to any amendments or variations thereto made in accordance with the Arrangement Agreement or this Scheme of Arrangement, or made at the direction of the Court;

“Share Exchange” has the meaning set out in Section 3.01(1)(a);

“SpinCo” means 1567725 Alberta Ltd., a corporation duly incorporated under the laws of the Province of Alberta, Canada governed by the ABCA;

“SpinCo Common Shares” means the common shares in the capital of SpinCo;

“Tax Act” means the *Income Tax Act* (Canada);

“Tax Convention” means any bilateral tax convention to which Canada is a party that is in force as at the Effective Time;

“**Tax Proposals**” means all specific proposals to amend the Tax Act that have been announced or published by or on behalf of the Minister of Finance (Canada) prior to the Effective Time; and

“**Transfer Agent**” means Computershare Trust Company of Canada, as registrar and transfer agent of SpinCo, or such other Person as may be designated by SpinCo.

1.02 Construction

In this Scheme of Arrangement, unless otherwise expressly stated or the context otherwise requires:

- (a) the division of this Scheme of Arrangement into Articles and Sections and the use of headings are for convenience of reference only and do not affect the construction or interpretation hereof;
- (b) the words “hereunder”, “hereof” and similar expressions refer to this Scheme of Arrangement and not to any particular Article or Section and references to “Articles” and “Sections” are to Articles and Sections of this Scheme of Arrangement;
- (c) words importing the singular include the plural and vice versa, and words importing any gender include all genders and the neuter;
- (d) the word “including”, when following any general term or statement, is not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement; and
- (e) a reference to a statute or code includes every regulation promulgated thereunder, all amendments to the statute or code or to any such regulation in force from time to time, and any statute, code or regulation which supplements or supersedes such statute, code or regulation.

1.03 Share capital of Petrominerales and SpinCo

- (1) As at the date hereof, the share capital of Petrominerales is as follows:
 - (a) Authorised capital: US\$200,000,000 divided into 200,000,000 common shares of par value \$1.00 each.
 - (b) Issued capital: \$99,893,500 divided into 99,893,500 shares of par value \$1.00 each.
- (2) SpinCo was incorporated on October 29, 2010 in Alberta, Canada under the ABCA with an authorised share capital consisting of an unlimited number of SpinCo Shares without nominal or par value, an unlimited number of special shares without nominal or par value and an unlimited number of preferred shares issuable in series without nominal or par value.

1.04 Purpose of this Scheme of Arrangement

The primary purpose of this Scheme of Arrangement is that the Petrominerales Shareholders, other than Petro International, will receive SpinCo Common Shares to be allotted and issued pursuant to

this Scheme of Arrangement in consideration for their Petrominerales Common Shares. Such Petrominerales Common Shares will be transferred to SpinCo and Petrominerales will become a wholly-owned subsidiary of SpinCo.

1.05 Undertaking by SpinCo

SpinCo has agreed to provide a written undertaking to the Court to be bound by this Scheme of Arrangement and to execute all such documents and to do all acts and things as may be necessary or desirable to be executed and done by it for the purposes of giving effect to this Scheme of Arrangement.

ARTICLE 2 - APPLICATION AND EFFECTIVENESS OF THIS SCHEME OF ARRANGEMENT

(1) This Scheme of Arrangement is made pursuant to, is subject to the provisions of and forms part of, the Arrangement Agreement.

(2) This Scheme of Arrangement will become binding and effective at the Effective Time on all Petrominerales Shareholders, Petrominerales and SpinCo.

(3) Other than as expressly provided for herein, no portion of this Scheme of Arrangement shall take effect with respect to any Person until the Effective Time. Further, each of the events listed in Article 3 shall be, without affecting the timing set out in Article 3, mutually conditional, such that no event described in Article 3 may occur without all steps occurring, and those events shall effect the integrated transaction which constitutes this Scheme of Arrangement.

(4) Unless this Scheme of Arrangement shall have become effective on or before December 31, 2011, this Scheme of Arrangement shall lapse.

ARTICLE 3 – THE TRANSFER OF PETROMINERLES COMMON SHARES TO SPINCO AND ISSUE OF SPINCO COMMON SHARES TO PETROMINERALES SHAREHOLDERS OTHER THAN PETRO INTERNATIONAL

3.01 Scheme of Arrangement

(1) At the Effective Time, the events and transactions set out in Section 3.01(1)(a) will occur and be deemed to occur in the order set out below, without any further act or formality:

- (a) Subject to Article 4, each Petrominerales Shareholder, other than Petro International, will simultaneously transfer to SpinCo, with good and marketable title thereto and free from any Encumbrances, all of the Petrominerales Common Shares held by such Petrominerales Shareholder, and, as the sole consideration for each Petrominerales Common Share so transferred, SpinCo will issue to each such Petrominerales Shareholder one SpinCo Common Share (the “**Share Exchange**”). In connection with the Share Exchange:
 - (i) if requested by an Eligible Holder within 90 days after the Effective Date, SpinCo will jointly elect with such Eligible Holder to have the provisions of subsection 85(1) of the Tax Act (or, in the case of an Eligible Holder that is a partnership, subsection 85(2) of the Tax Act), and the corresponding provisions of any applicable provincial legislation, apply to the Share Exchange with the

agreed amount to be specified by such Eligible Holder (subject to the limitations set out in the Tax Act and any applicable provincial legislation); and

- (ii) in accordance with the ABCA, SpinCo will add to the stated capital account maintained by SpinCo for the SpinCo Common Shares an amount that will not exceed the aggregate fair market value of the Petrominerales Common Shares so transferred to SpinCo less the amount, if any, by which the aggregate fair market value of the Petrominerales Common Shares that are the subject of elections under subsection 85(1) or 85(2) of the Tax Act exceeds the aggregate agreed amounts specified in such elections.

(2) All amounts of stated capital for purposes of the ABCA to be determined under this Scheme of Arrangement will be determined in accordance with the authorization of the board of directors of SpinCo, subject to the limitations in this Scheme of Arrangement.

(3) Until the Petrominerales Common Shares have been transferred to SpinCo pursuant to the Share Exchange there shall be no further registration of transfers of Petrominerales Common Shares.

(4) The SpinCo Common Shares to be allotted and issued to the Petrominerales Shareholders other than Petro International and Dissenting Shareholders pursuant to this Scheme of Arrangement shall be identical and shall rank *pari passu* in all respects both inter se and with all other SpinCo Common Shares in issue on the Effective Time.

ARTICLE 4– RIGHTS OF DISSENT

4.01 Rights of Dissent

(1) Petrominerales Shareholders who are entitled to and who have duly elected to exercise Dissent Rights and who:

- (a) are ultimately determined to be entitled to be paid fair value for their Petrominerales Common Shares shall not participate in the transactions in Article 3 and their Petrominerales Common Shares shall be cancelled at the Effective Time without any further act or formality, and free and clear of all Encumbrances, in consideration of a debt-claim against Petrominerales to be paid the fair value of such Petrominerales Common Shares, which fair value shall be determined as of the close of business on the Business Day before the day on which the Final Order was made, and will not be entitled to any other payment or consideration, and the name of each such Dissenting Shareholder will thereupon be removed from the register of holders of Petrominerales Common Shares; or
- (b) are ultimately determined to be not entitled, for any reason, to be paid fair value for their Petrominerales Common Shares shall be entitled to SpinCo Common Shares on the same basis as any non-dissenting Petrominerales Shareholder (other than Petro International) as at and from the Effective Time and will be treated in the same manner as such a holder, on the basis set out in this Scheme of Arrangement.

(2) All payments made to a Dissenting Shareholder pursuant to this Article shall be subject to, and paid net of, all applicable withholding taxes.

(3) The procedures for executing rights of dissent shall be as set out in Schedule A to this Scheme of Arrangement.

ARTICLE 5 – CERTIFICATES AND PAYMENTS

5.01 Entitlement to Share Certificates and Payments

(1) Upon this Scheme of Arrangement becoming effective, share certificates previously representing Petrominerales Common Shares that were exchanged in accordance with the provisions of this Scheme of Arrangement will represent an entitlement to receive certificates representing the SpinCo Common Shares to be issued to Petrominerales Shareholders in accordance with this Scheme of Arrangement.

(2) Subject to the provisions of the Letter of Transmittal, SpinCo will, as soon as practicable following the later of the Effective Date and the date of deposit by a former holder of Petrominerales Common Shares entitled to receive SpinCo Common Shares of a duly completed Letter of Transmittal and the certificates representing such Petrominerales Common Shares, either:

- (a) forward or cause to be forwarded by first class mail (postage prepaid) to such former holder at the address specified in the Letter of Transmittal; or
- (b) if requested by such holder in the Letter of Transmittal, make available or cause to be made available at the office of the Transfer Agent for pickup by such holder,

certificates representing the number of SpinCo Common Shares, issued to such holder under this Scheme of Arrangement.

(3) If any certificate which immediately prior to the Effective Time represented an interest in outstanding Petrominerales Common Shares that were exchanged for SpinCo Common Shares pursuant to the provisions of this Scheme of Arrangement has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to have been lost, stolen or destroyed, the Transfer Agent will issue and deliver in exchange for such lost, stolen or destroyed certificate the consideration to which the holder is entitled pursuant to this Scheme of Arrangement (and any dividends or distributions with respect thereto) as determined in accordance with this Scheme of Arrangement. The Person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond to SpinCo and the Transfer Agent, which bond is in form and substance satisfactory to SpinCo and the Transfer agent, or shall otherwise indemnify SpinCo and the Transfer Agent against any claim that may be made against either of them with respect to the certificate alleged to have been lost, stolen or destroyed.

(4) All dividends or other distributions, if any, made with respect to any SpinCo Common Shares allotted and issued pursuant to this Scheme of Arrangement but for which a certificate has not been issued shall be paid or delivered to the Transfer Agent to be held by the Transfer Agent in trust for the registered holder thereof. Subject to Section 4.01(5), the Transfer Agent shall pay and deliver to any such registered holder, as soon as reasonably practicable after application therefor is made by the registered holder to the Transfer Agent in such form as the Transfer Agent may reasonably require, such dividends and distributions to which such holder is entitled, net of applicable withholding and other taxes.

(5) Any certificate formerly representing Petrominerales Common Shares that is not deposited with all other documents as required by this Scheme of Arrangement on or before the fourth anniversary of the Effective Date will cease to represent a right or claim of any kind or nature including

the right of the holder of such Petrominerales Common Shares to receive SpinCo Common Shares (and any dividends and distributions thereon). In such case, such SpinCo Common Shares will be returned to SpinCo for cancellation.

(6) As soon as practicable after the Effective Time, the Transfer Agent will update the register of members of Petrominerales to reflect the Share Exchange and registration in the name of SpinCo of the relevant Petrominerales Common Shares.

5.02 Withholding Taxes

Each of Petrominerales and SpinCo (and its transfer agent on its behalf) shall be entitled to deduct and withhold from any consideration otherwise payable hereunder such amounts as each of Petrominerales and SpinCo (and its transfer agent on its behalf) is required to deduct and withhold with respect to such payment under the Tax Act, the *United States Internal Revenue Code of 1986* or any provision of provincial, state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes as having been paid to the holder of the Petrominerales Common Shares or SpinCo Common Shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted in accordance with applicable law to the appropriate taxing authority.

ARTICLE 6 – AMENDMENTS

Amendments

(1) Subject to compliance with the terms of this Article 6, Petrominerales and SpinCo may amend, modify or supplement this Scheme of Arrangement at any time provided that each such amendment must be: (i) set out in writing; (ii) approved by each party to the Arrangement Agreement; and (iii) approved by the Court.

(2) Petrominerales and SpinCo may jointly consent for and on behalf of all concerned to any modification(s) to this Scheme of Arrangement or conditions that the Court may see fit to approve or impose.

(3) Petrominerales and SpinCo may amend, modify and/or supplement this Scheme of Arrangement at any time and from time to time after the Meeting but prior to the Effective Time (provided that each party to the Arrangement Agreement shall have consented thereto) with the approval of the Court and, if and as required by the Court, after communication to Petrominerales Shareholders.

(4) Any amendment, modification or supplement to this Scheme of Arrangement may be made at any time following the Effective Time by Petrominerales and SpinCo without the approval of the Court, the Petrominerales Shareholders or the shareholders of SpinCo, provided that it concerns a matter which, in the reasonable opinion of Petrominerales and SpinCo, is of an administrative nature required to better give effect to the implementation of this Scheme of Arrangement or is not adverse to the financial or economic interests of Petrobank or any holder or former holder of Petrominerales Common Shares or any holder of SpinCo Common Shares.

Dated December 2010

SCHEDULE A

Petrominerales Shareholders' Right of Dissent

Capitalised words and expressions shall bear the same meanings as set out in the Glossary of Terms contained in Section 1.01 of the Scheme of Arrangement.

In this Schedule A, the “**Appraisal Adjudicator**” means Mr [] whose address for service is [].

1. Petrominerales Shareholders shall be entitled to exercise Dissent Rights provided they (a) shall have filed a written notice of objection to Petrominerales c/o Conyers Dill & Pearman Limited, Attention: Christian Luthi, Richmond House, 12 Par-la-Ville Road PO BOX HM 666, Hamilton HM CX, Bermuda, with a copy to Ogilvy Renault LLP, Attention: Michael Bennett, First Canadian Centre 350 - 7 Avenue SW, 27th Floor Calgary, Alberta T2P 3N9, by 4:30 p.m. (Calgary time) on the fifth Business Day immediately preceding the date of the Meeting (the “**Dissent Deadline**”), and (b) shall not have voted their Petrominerales Common Shares at the Meeting, either by proxy or in person, in favour of the Arrangement Resolution. **Any Petrominerales Shareholder who fails to exercise the Dissent Right prior to the Dissent Deadline or who so votes Petrominerales Common Shares in favour of the Arrangement Resolution shall not be permitted to exercise a Dissent Right.**
2. A Dissenting Shareholder shall be entitled to be paid (subject to paragraph 17 below) by Petrominerales the fair value of the total number of Petrominerales Common Shares held by the Petrominerales Shareholder, determined as of the close of business on the last Business Day before the day on which the Scheme of Arrangement is approved by the Petrominerales Shareholders.
3. A Dissenting Shareholder may only claim under this Schedule A with respect to all the Petrominerales Common Shares held by the Dissenting Shareholder or on behalf of any one beneficial owner and registered in the name of the Dissenting Shareholder.
4. An application may be made to the Appraisal Adjudicator after the Effective Time of the Scheme of Arrangement,
 - (a) by Petrominerales, or
 - (b) by a Dissenting Shareholder provided the Petrominerales Shareholder has sent a written objection in accordance with the terms of paragraph 1 above,to fix the fair value in accordance with paragraph 2 of the Petrominerales Common Shares of any Petrominerales Shareholders who dissent under this Schedule A.
5. If an application is made under paragraph 4, Petrominerales shall, unless the Appraisal Adjudicator otherwise orders, send to each Dissenting Shareholder a written offer to pay the Petrominerales Shareholder an amount considered by the directors of Petrominerales to be the fair value of the Petrominerales Common Shares.
6. Unless the Appraisal Adjudicator otherwise orders, an offer referred to in paragraph 5 shall be sent to each Dissenting Shareholder

- (a) at least 10 days before the date on which the application is returnable, if Petrominerales is the applicant, or
 - (b) within 10 days after Petrominerales is served with a copy of the application, if a Dissenting Shareholder is the applicant.
- 7. Every offer made under paragraph 5 shall be made on the same terms.
- 8. A Dissenting Shareholder may make an agreement with Petrominerales for the purchase of the Dissenting Shareholder's Petrominerales Common Shares by Petrominerales, in the amount of the Petrominerales' offer under paragraph 5 or otherwise, at any time before the Appraisal Adjudicator pronounces an order fixing the fair value of the Petrominerales Common Shares.
- 9. A Dissenting Shareholder
 - (a) is not required to give security for costs in respect of an application under paragraph 4, and
 - (b) except in special circumstances must not be required to pay the costs of the application or appraisal.
- 10. In connection with an application under paragraph 4, the Appraisal Adjudicator may give directions for
 - (a) joining as parties all Dissenting Shareholders whose Petrominerales Common Shares have not been purchased by Petrominerales and for the representation of Dissenting Shareholders who, in the opinion of the Appraisal Adjudicator, are in need of representation,
 - (b) the trial of issues and interlocutory matters, including pleadings and questioning at all times in accordance with the Bermuda Rules of the Supreme Court 1985,
 - (c) the payment to the Petrominerales Shareholder of all or part of the sum offered by Petrominerales for the Petrominerales Common Shares,
 - (d) the deposit of any share certificates with the Appraisal Adjudicator or with Petrominerales or its Transfer Agent,
 - (e) the appointment and payment of independent appraisers, and the procedures to be followed by them,
 - (f) the service of documents, and
 - (g) the burden of proof on the parties.
- 11. On an application under paragraph 4, the Appraisal Adjudicator shall make an order
 - (a) fixing the fair value of the Petrominerales Common Shares in accordance with paragraph 1 of all Dissenting Shareholders who are parties to the application,
 - (b) giving judgment in that amount against Petrominerales and in favour of each of those Dissenting Shareholders, and

- (c) fixing the time within which Petrominerales must pay that amount to a Dissenting Shareholder.
12. On the exercise of a Dissent Right, the Dissenting Shareholder ceases to have any rights as a Petrominerales Shareholder other than the right to be paid the fair value of the Petrominerales Shareholder's Petrominerales Common Shares in the amount agreed to between Petrominerales and the Petrominerales Shareholder or in the amount of the judgment, as the case may be.
 13. In the event that, the Dissenting Shareholder withdraws the Petrominerales Shareholder's dissent, any proceedings under this Schedule A shall be discontinued.
 14. The Appraisal Adjudicator may in its discretion allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder, from the date on which the Petrominerales Shareholder ceases to have any rights as a Petrominerales Shareholder by reason of paragraph 12 until the date of payment.
 15. If paragraph 17 applies, Petrominerales shall, within 10 days after
 - (a) the pronouncement of an order under paragraph 10, or
 - (b) the making of an agreement between the Petrominerales Shareholder and Petrominerales as to the payment to be made for the Petrominerales Shareholder's Petrominerales Common Shares,notify each Dissenting Shareholder that it is unable lawfully to pay Dissenting Shareholders for their Petrominerales Common Shares.
 16. Notwithstanding that the Appraisal Adjudicator has given judgment in favour of a Dissenting Shareholder under paragraph 11(b), if paragraph 17 applies, the Dissenting Shareholder, by written notice delivered to Petrominerales within 30 days after receiving the notice under this paragraph 16, may withdraw the Dissenting Shareholder's notice of objection, in which case Petrominerales is deemed to consent to the withdrawal and the Dissenting Shareholder is reinstated to the Petrominerales Shareholder's full rights under the Scheme of Arrangement as a Petrominerales Shareholder, failing which the Dissenting Shareholder retains a status as a claimant against Petrominerales, to be paid as soon as Petrominerales is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of Petrominerales but in priority to its Petrominerales Shareholders.
 17. Petrominerales shall not make a payment to a Dissenting Shareholder under this section if there are reasonable grounds for believing that
 - (a) Petrominerales is or would after the payment be unable to pay its liabilities as they become due, or
 - (b) the realizable value of Petrominerales' assets would by reason of the payment be less than the aggregate of its liabilities.
 18. The costs of the Appraisal Adjudicator shall be borne by Petrominerales.