GROUNDSTAR
RESOURCES LIMITED

Annual Information Form

FISCAL YEAR ENDED APRIL 30, 2014

Dated: November 4, 2014

Conventions

Unless otherwise indicated, references herein to "$" or "dollars" are to U.S. dollars. All financial information with respect to the Corporation has been presented in U.S. dollars in accordance with generally accepted accounting principles in Canada or international financial reporting standards, as applicable. The information in this annual information form ("**Annual Information Form**") is stated as at April 30, 2014, unless otherwise indicated. For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the section of this Annual Information Form titled "*Definitions*".

Abbreviations

Oil and Natural Gas Liquids

Bbls	barrels
BOPD	barrel of oil per day
Mbbls	thousand barrels
Mmbbls	million barrels
Mstb	one thousand stock tank barrels
Bbls/d	barrels per day
NGLs	natural gas liquids
GJ	gigajoule

Natural Gas

Mcf	thousand cubic feet
Mmcf	million cubic feet
Bcf	billion cubic feet
Tcf	trillion cubic feet
Mcf/d	million cubic feet per day
Tcf/d	trillion cubic feet per day
MMBTU	million British Thermal Units
ppm	parts per million

Other

BOE/D	barrel of oil equivalent per day
m3	cubic meters
MBOE	one thousand barrels of oil equivalent
OOIP	original oil in place
$000s	thousands of dollars

Conversion

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units):

To Convert From	To	Multiply By
Mcf	Cubic meters	28.174
Cubic meters	Cubic feet	35.494
Bbls	Cubic meters	0.159
Cubic meters	Bbls oil	6.290
Feet	Meters	0.305
Meters	Feet	3.281
Miles	Kilometers	1.609
Kilometers	Miles	0.621
Acres	Hectares	2.471

Definitions

Wherever used in this Annual Information Form, unless the context otherwise requires, the following words and phrases shall have the meanings set forth below:

"**2D**" means two dimensional;

"**3D**" means three dimensional;

"**ABCA**" means the *Business Corporations Act* (Alberta);

"Acquisition" means the acquisition by the Corporation of certain assets of the Vendor pursuant to the Acquisition Agreement;

"**Acquisition Agreement**" means the conveyance agreement dated November 22, 2012 between the Corporation and the Vendor with respect to the Acquisition;

"**Aegean**" means Aegean Energy Egypt Ltd., a subsidiary of Energean Oil & Gas, a private company registered in Greece;

"**Agency Agreement**" means the agreement dated effective December 19, 2012 among the Corporation and the Agents in respect of the Offering;

"**Agents**" means PI Financial Corp. and Canaccord Genuity Corp., as agents pursuant to the Offering;

"Alberta Assets" means the assets acquired by the Corporation pursuant to the Acquisition and described under the heading "*General Development of the Business - The Acquisition*";

"**Aminex**" means Aminex Petroleum Egypt Limited;

"**Annual Information Form**" means this annual information form of Groundstar for the fiscal year ended April 30, 2014;

"**API**" is an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28° API or higher is generally referred to as light crude oil;

"**AVO**" means amplitude variations with offset;

"**Board**" or "**Board of Directors**" means the board of directors of Groundstar;

"**BOE**" means barrel of oil equivalent of natural gas and crude oil on the basis of 1 BOE for 6 (unless otherwise stated) Mcf of natural gas (this conversion factor is an industry accepted norm and is not based on either energy content or current prices);

"**Canacol**" means Canacol Energy Ltd., a corporation traded on the TSX;

"**CDN**" means Canadian;

"**COGE Handbook**" means the "Canadian Oil and Gas Evaluation Handbook" prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time-to-time;

"**Common Share**" or "**Common Shares**" means, respectively, one or more Common Shares in the capital of Groundstar;

"**Corporation**" or "**Groundstar**" means Groundstar Resources Limited, a corporation duly incorporated under the laws of the Province of British Columbia and continued into the Province of Alberta under the ABCA;

"**GGMC**" means the Guyana Geology and Mines Commission;

"**Groundstar Barbados**" means Groundstar Resources Egypt (Barbados) Inc., a corporation duly incorporated under the laws of the country of Barbados;

"**Groundstar BVI**" means Groundstar Resources (BVI) Inc., a corporation duly incorporated under the British Virgin Islands Business Companies Act;

"**Groundstar Cayman**" means Groundstar Resources (Cayman) Inc., a corporation duly incorporated under the laws of the country of Cayman Islands;

"**Groundstar Guyana**" means Groundstar Resources Inc. (Guyana Company), a corporation duly incorporated under the Companies Act of Guyana;

"**Groundstar International**" means Groundstar Resources International Inc., a corporation duly incorporated under the laws of the country of Barbados;

"**Groundstar Kurdistan**" means Groundstar Resources Kurdistan Ltd., a corporation duly incorporated under the laws of the country of Cyprus;

"**KRG**" means the Kurdistan Regional Government;

"**Offering**" means the offering by way of a short form prospectus dated December 19, 2012 of Common Shares and Common share purchase warrants, such offering having closed on multiple dates in December, 2012 and January, 2013;

"**PPEL**" means the Pan Pacific Petroleum Egypt Pty. Ltd.;

"**PPL**" means a petroleum prospecting license;

"**Preferred Share**" or "**Preferred Shares**" means, respectively, one or more Preferred Shares in the capital of Groundstar;

"**PSC**" means a production sharing contract;

"**Relinquishment Agreement**" means the relinquishment and termination agreement dated November 14, 2012 among the Corporation and its consortium partners Niko Resources Ltd. and Vast Exploration Inc. with the Kurdistan Regional Government to surrender their collective interests in the Qara Dagh Block located in the Kurdistan Region of Iraq;

"**Takutu**" means Takutu Oil & Gas Inc., a corporation duly incorporated under the Companies Act of Guyana;

"**TSXV**" means the TSX Venture Exchange;

"**U.S.**", "**US**" or "**United States**" means the United States of America and includes the District of Columbia;

"**WEEM Block**" means an exploration block in West Esh El Mallaha located in the Gulf of Suez Basin;

"**WKO Block**" means the West Kom Ombo area in Upper Egypt of the Arab Republic of Egypt; and

"Vendor" means the vendor pursuant to the Acquisition, being a private Alberta corporation.

Special Note Regarding Forward Looking Statements

Certain statements contained in this Annual Information Form constitute forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "predict", "potential", "project", "should", "believe" and similar expressions, or the negatives of these terms, are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These statements are only predictions. Management of the Corporation believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Annual Information Form should not be unduly relied upon. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. These forward-looking statements speak only as of the date of this Annual Information Form or at the date specified in the documents incorporated by reference into this Annual Information Form.

In particular, this Annual Information Form contains forward-looking statements pertaining to the following:

- Oil and natural gas production levels;
- Capital expenditure programs;
- The quantity of oil and natural gas reserves and resources;
- Projections of commodity prices and costs;
- Supply and demand for oil and natural gas;
- Expectations regarding the ability to raise capital and to continually add to reserves through acquisitions, exploration and development;
- Treatment under governmental regulatory regimes including taxation;
- Drilling inventory, drilling plans and timing of drilling; and
- Timing of receipt of regulatory approvals.

The actual results could differ materially from those anticipated in these forward looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- Volatility in market prices for oil and natural gas;
- Liabilities inherent in oil and natural gas operations;
- Uncertainties associated with estimating oil and natural gas reserves and resources;
- Competition for, *inter alia*:
    - Capital, acquisitions of reserves;

    - Undeveloped lands; and
    - Skilled personnel
- Incorrect assessments of the value of acquisitions;
- Geological, technical, drilling and processing problems;
- Fluctuations in foreign exchange or interest rates and stock market volatility;
- Change in government regulations;
- Failure to realize the anticipated benefits of acquisitions; and
- The other factors discussed under "*Risk Factors*" herein.

Readers are cautioned not to place undue reliance on this forward looking information, which is given as of the date it is expressed in this Annual Information Form or otherwise, and while the Corporation may choose to do so, it accepts no obligation to update publicly or revise any forward looking information, whether as a result of new information, future events or otherwise, except as required by securities law.

The Corporation

Incorporation & Organization

Groundstar Resources Limited was incorporated under the laws of the Province of British Columbia by Articles of Incorporation dated November 19, 1968 as Mara Minerals Ltd. (N.P.L.) and was continued by Articles of Continuance into Alberta under the ABCA on December 5, 2005. The registered and head office of the Corporation is located at Suite 2300, 144 – 4th Avenue S.W., Calgary, Alberta, T2P 3N4.

On November 23, 1970, the Corporation changed its name to Gramara Mines Ltd. (N.P.L.). On August 24, 1971, the Corporation converted to a limited liability company under the name Gramara Mines Ltd. and changed its name to Gramara Mercantile Corporation Ltd. On July 11, 1973, the Corporation amended its articles to change its name to Groundstar Resources Limited. On September 18, 1987, the Corporation filed Articles of Amendment to remove the restrictions on the Corporation's business and re-classified certain shares to Class "A" Special Common Shares. On September 10, 1993, the Corporation filed Articles of Amendment to cancel its existing articles and adopt new articles of the Corporation, which, among other things, placed restrictions on the transfer of shares. On October 30, 1997, the Corporation filed Articles of Amendment to remove private company provisions and share transfer restrictions. On November 3, 2003, the Corporation filed Articles of Amendment to increase the authorized capital of the Corporation from 20,000,000 to 100,000,000 common shares. On December 5, 2005, the Corporation filed Articles of Continuance to continue into Alberta as a corporation governed by the ABCA, to increase the authorized capital to an unlimited number of Common Shares and an unlimited number of Preferred Shares, and to remove the Class "A" Special Common Shares classification. On October 22, 2012, the Corporation filed articles of amendment to consolidate its outstanding Common Shares on the basis of one (1) post-consolidation share for every outstanding fifteen (15) pre-consolidation Common Shares. On August 7, 2014, the Corporation filed articles of amendment to create a new series of Preferred Shares called Series 1 Preferred Shares which pay a 10% dividend and are convertible into Common Shares on the basis of four (4) Common Shares for every one (1) Series 1 Preferred Share.

Inter-corporate Relationships

The corporate structure of the Corporation and each of its active wholly-owned subsidiaries and the jurisdiction of incorporation of such subsidiaries are described below:

Groundstar Resources (Cayman) Inc.
Groundstar Resources (Cayman) Inc. was incorporated under the laws of the Cayman Islands on August 8, 2005. Groundstar Cayman's registered office and principal place of business is located at Mourant Cayman Corporate Services Ltd., Third Floor, Harbour Centre, P.O. Box 1348 George Town, Grand Cayman, Cayman Islands. The Corporation is the sole shareholder of Groundstar Cayman. Groundstar Cayman functions solely as a holding company and its sole asset is in Guyana.

Groundstar Resources International Inc.
Groundstar Resources International Inc. was incorporated in Barbados on February 17, 2005. The Corporation was the sole shareholder of Groundstar International. Groundstar International's principal place of business was located at The Grove, 21 Pine Road, Belleville, St. Michael, Barbados. It was dissolved under the Companies Act of Barbados September 15, 2011.

Groundstar Resources (BVI) Inc.
Groundstar Resources (BVI) Inc. was incorporated under the *Business Companies Act* of the British Virgin Islands on June 29, 2006. Groundstar BVI's registered office and its principal place of business is located at Midocean Chambers, Box 805, Road Town, Tortola, British Virgin Islands. The Corporation is the sole shareholder of Groundstar BVI, *Groundstar Resources Egypt (Barbados) Inc.*

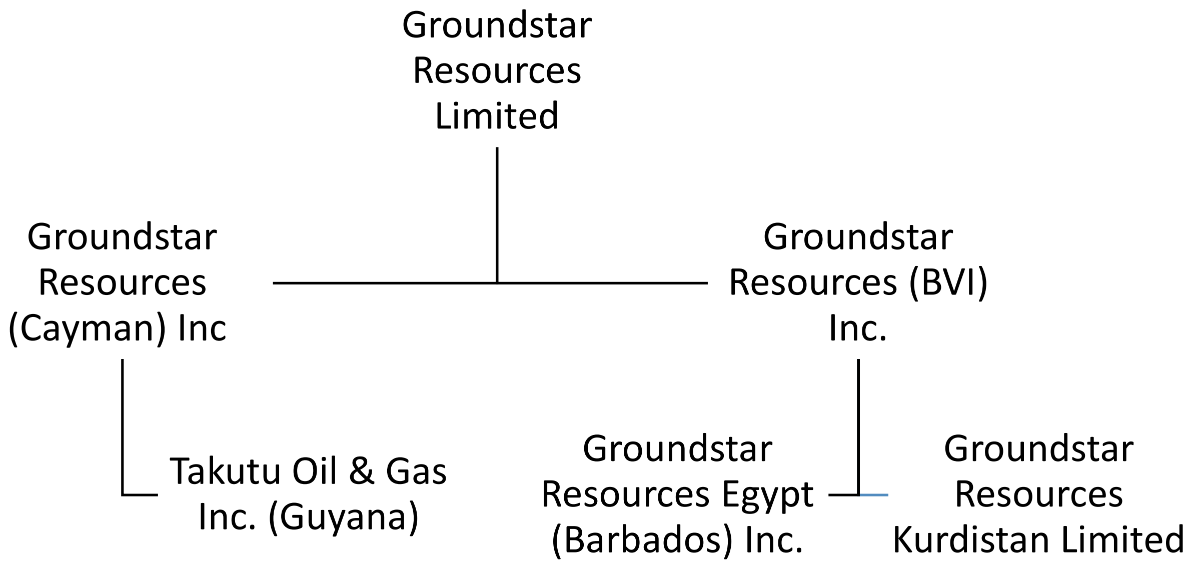
Groundstar Resources Egypt (Barbados) Inc.

Groundstar Resources Egypt (Barbados) Inc. was incorporated on October 20, 2005, under the name Cascadia Fine Art Investment (Barbados) Inc., and changed its name on July 27, 2006, to Groundstar Resources Egypt (Barbados) Inc. Its sole shareholder is Groundstar Resources (BVI). Groundstar Barbados' principal place of business is located at The Grove, 21 Pine Road, Belleville, St. Michael, Barbados.

Takutu Oil & Gas Inc.
Takutu Oil & Gas Inc. was incorporated under the Companies Act of Guyana on June 11, 2009. Takutu's registered office and its principal place of business is 10 First Street, Alberttown, Georgetown, Guyana. Its sole shareholder is Groundstar Cayman.

Groundstar Resources Kurdistan Ltd.
Groundstar Resources Kurdistan Ltd. was incorporated in Cyprus on November 15, 2007, under the name Ekornes Holdings Limited. It changed its name on November 30, 2007, on which date Groundstar BVI became its sole shareholder. Its registered address and principal place of business is 11 Kyriacou Matsi, 1082, Nicosia, Cyprus. This company is in the process of being dissolved.

Corporate Structure



General Development of the Business

Three Year History & Significant Acquisitions

Canada

On November 22, 2012, the Corporation and the Vendor entered into the Acquisition Agreement. Pursuant to the Acquisition, the Corporation is expected to acquire a farm-in over three (3) contiguous sections comprising petroleum and natural gas rights with respect to the Alberta Assets. The Acquisition Agreement provides for the issuance of 1.6 million Common Shares to the Vendor as payment for the assignment of a farm-in agreement on the Alberta Assets which the Vendor is a party to with another public Alberta company (the "**Farm-in Agreement**"). The Corporation assumed all obligations and liabilities of the Vendor pursuant to the Farm-in Agreement. The Acquisition Agreement contains standard representations, warranties, covenants and indemnities with respect to the assignment of the Alberta Assets and was conducted as a tax-deferred roll-over pursuant to the applicable provisions of the Tax Act. The Company decided not to drill on these lands and relinquished the lands in the fiscal year 2014.

On March 12, 2013, Groundstar announced that it has agreed to acquire, joint venture and farm-in a 100% working interest in over 2000 acres of land on two light oil developments in the Western Canadian Sedimentary Basin. In Southern Alberta, Groundstar agreed to acquire highly prospective acreage in the Alberta Bakken fairway. In Saskatchewan, a multiple section farm-in was negotiated with potential for a multi-zone, high impact light oil development. Joint venture and geophysical work programs are ongoing. The Corporation agreed to issue 750,000 Common Shares as consideration for the acquisitions. The Company decided not to drill on these lands and relinquished the lands in fiscal 2014.

In November 2013, the Corporation entered into an agreement with a mid-sized Canadian Exploration and Production Company to drill a high netback, multi-well program in the Western Canadian Sedimentary Basin. Pursuant to the agreement, the oil focused commenced immediately and targeted the Mannville formation. In December 2013, the Company announced that it had drilled a successful oil well in this Saskatchewan play with continuous oil production commencing at the 3-13-45-26W3M well, which was drilled to a depth of 740 metres into the Mannville formation. The well encountered 4 meters of pay with approximately 32% porosity. In March 2014, the Corporation announced the successful completion of a second well in Saskatchewan of a multi-well drilling program. The 4-13-45-26 W3 Mannville producer which was a follow up well to the 3-13-45-26 W3 location drilled in late 2013, commenced production at 80 barrels of oil per day. In late August and September of 2014, the Corporation drilled the remaining Option wells 6-13-45-26 W3 and 5-13-45-26 W3. Both these wells were brought on production in September, 2014.

In March 2014, the Corporation executed a one year secured debenture agreement with an eastern US based institution "Credit Fund" LP for up to a $10,000,000 debenture facility at 10 percent per annum. Closing is conditional on certain events which have not yet occurred.

Egypt

On May 10, 2010 the Corporation agreed to sell its interest in WKO to Aegean Energy (“**Aegean**”). The consideration terms were subsequently revised such that Aegean would pay $5 million and commit to spend $30 million on exploration at WKO, including 2 exploration wells prior to September 16, 2011, and two more exploration wells in the subsequent 3-year exploration period. Upon receipt of Government approval, Groundstar will receive the $5 million plus a 10% carried interest in the aforementioned exploration expenditures, and Aegean will receive the 60% interest owned by Groundstar plus 10% from the 20% interest to be received from KTE under the asset exchange referred to above. In accordance with the terms of the sale, Groundstar received a US$2.0 million loan from Aegean.

On January 4, 2011 the first exploration well on the WKO Block, WKO-1, was spud by Aegean. It was located on Prospect A, a large fault-controlled closure defined by seismic data. The well encountered elevated C1-C3 gas readings in the lower Cretaceous sedimentary section which confirmed lateral migration of hydrocarbons from a kitchen area. However, after drilling to 991 metres, the bottom hole sample cuttings were identified to be from granite basement. As no hydrocarbon-bearing reservoirs were encountered, no tests were run and the well was plugged and abandoned. The drilling rig was moved to a drill site on Prospect B, also a seismically defined structure. WKO-3 was spud on March 7, 2011 as a stratigraphic control point to calibrate the seismic coverage and help define future exploration activities in the block. On April 4, 2011 the well reached basement at 769 metres and was plugged and abandoned. The completion of WKO-3 drilling fulfills the contractual obligation of the first extension of the exploration phase on the WKO Block.

As part of the post-drill evaluation Aegean carried out a HRAM (High Resolution Airborne Magnetic) survey over the entire WKO Block in Q3-Q4, 2011 to try and identify areas of deeper basin. The subsequent interpretation of the data showed a shallow depth to magnetic basement across the southern and central parts with depths increasing to 2,000 meters to more than 2,500 meters in the northern part of the WKO Block. Future exploration would be concentrated in this region where surface lineaments suggest a possible extension of the Kom Ombo Rift Basin to the northwest of the Al Baraka Oil Field in the Nile Valley. The Corporation has a work commitment for the second phase of its WKO Block in Egypt which consists of the drilling of two (2) exploration wells in the Block by March 16, 2015. Aegean, the operator of the Block, has a commitment to drill four (4) wells in the first and second phase of a concession agreement with a financial expenditure of up to USD$30 million (net USD$3 million to the Corporation). The operator has drilled two (2) wells in the first phase with a total expenditure of about USD$5 million. The Corporation has 10% carried interest in the Block.

Guyana

The Company has a 10% carried interest in this Block. On April 21, 2010 the drilling rig for the Apoteri K-2 exploration well in Guyana was commissioned. The Corporation, through its subsidiary, spudded the Takutu Oil & Gas et al Apoteri K-2 well on December 31, 2010 and announced the rig release on April 30, 2011. The deviated well was 600 meters from surface location of the Karanambo #1 oil discovery made by Home Oil in 1982. The bottom hole location of this well was about 1,200 meters from the Karanambo #1 bottom hole location. The original K-2 wellbore penetrated the Top Apoteri Volcanic 293 meters shallow to prognosis due to crossing a fault that had not been recognised on seismic prior to drilling. The well was sidetracked (K-2 ST 1) at 2414 m to a total measured depth of 2,991 m (2,842 m TVD) and after four drillstem tests was subsequently plugged and abandoned. Effective September 2012, the Company ceased to be the Operator which responsibility was taken over by its partner in the prospect.

Relinquishment of Kurdistan Interest

On November 14, 2012, the Corporation, along with its consortium partners Niko Resources Ltd. and Vast Exploration Inc., entered into the Relinquishment Agreement to surrender their collective interests in the Qara Dagh Block located in the Kurdistan Region of Iraq. Groundstar acquired a working interest in the block under a production sharing agreement. The consortium drilled an exploration well, which was not commercially successful. Pursuant to the Relinquishment Agreement, and after settlement of all outstanding expenses and other debts and claims, Groundstar recovered a net amount of USD$1.3 Million (representing the relinquishment amount of $1.7 million less certain payables to the joint venture partner in the amount of $0.4 million). Certain related arbitration proceedings were also to be terminated.

New Officers and Directors

On September 14, 2012, Mr. Chad Dust and Mr. Shabir Premji were appointed as directors of Groundstar and Mr. Tyron Pfeifer was appointed as Chief Operating Officer. On this same date, the following individuals resigned from the Corporation: Mr. Kam Fard (President and Chief Executive Officer), Mr. Stuart McDowall (Director), Mr. Kenneth Taylor (Director) and Mr. David Johnson (Corporate Secretary). In connection with the resignation of Mr. Kam Fard as President and Chief Executive Officer and in connection with his management agreement dated December 1, 2004, Mr. Fard received a severance payment of $170,000, payable in Common Shares at a deemed price of $0.025 per share ($0.375 per post-consolidation Common Share).

On January 18, 2013, the Corporation announced the appointment of Laurence Lee as a member of the Board of Directors. Mr. Lee did not stand for re-election to the Board effective the annual general meeting of shareholders held on January 15, 2014.

At an annual general and special meeting of shareholders of the Corporation held on October 16, 2012, Tyron Pfeifer, Chad Dust and Shabir Premji were elected as directors of the Corporation and Kam Fard and Daryl Raymaker resigned from the board. Subsequent to this, Tyron Pfeifer was appointed to the office of President and Chief Operating Officer and Shabir Premji was appointed to the office of Chief Financial Officer. Mr. Tyron Pfeifer is acting in the capacity as Interim Chief Executive Officer although he holds the title of President and Chief Operating Officer. In addition, Mr. Shabir Premji is acting in the capacity as Chief Financial Officer. Their appointments as such were effective as of October 29, 2012.

At the annual general meeting of shareholders held on January 15, 2014, Murray Stodalka and Dale Hammons were added as directors of the Corporation. As of the date of this Annual Information Form, the directors were Tyron Pfeifer, Chad Dust, Shabir Premji, Dale Hammons and Murray Stodalka.

Share Capital

Shareholders approved a consolidation of the Common Shares on the basis of one post consolidation Common Share being issued for every fifteen (15) Pre-Consolidation Common Shares in the capital of the Corporation. The Common Shares commenced trading on the TSXV on a post-consolidation basis at the opening of the markets on October 23, 2012.

Common Share Offerings

On August 18, 2011 Groundstar closed a non-brokered private placement of 13,000,000 Units at a price of $0.10 per Unit, each Unit consisting of one Common Share and one-half of one Common Share purchase warrant (“**Warrant**”). Each whole Warrant entitled the holder to acquire one Common Share at an exercise price of $0.15 for a period of 18 months from the date of the closing of the Offering. An aggregate finder’s fee of CDN$43,400 was paid to Primary Capital Inc. for services provided to the Corporation in connection with the Offering.

On December 24, 2012 and January 18, 2013, Groundstar closed a short form prospectus offering by issuing 7,167,500 units of the Corporation at a price of $0.20 per unit (the "**Units**") and 2,852,000 flow-through units at $0.25 per flow-through unit (“**Flow-through Units**”) for total gross proceeds of approximately $2.2 million (the “**Closing**"). Each Unit consisted of one Common Share and one half of one common share purchase warrant ("**Warrant**") and each Flow-through Unit consisted of one Common Share issued on a “flow-through” basis pursuant to the provisions of the *Income Tax Act* (Canada) and one Warrant. Each whole Warrant entitled the holder thereof to purchase one Common Share ("**Warrant Share**") at a price of $0.30 each at any time on or prior to July 18, 2014. The short form prospectus offering was conducted on a commercially reasonable effort basis through a syndicate of agents consisting of the Agents. In connection with the closing, the Agents' were granted 79,680 warrants exercisable into Common Shares at a price of $0.30 at any time prior to July 18, 2014.The Corporation used the net proceeds to further the exploration and development activities of its oil and gas properties and for general corporate purposes.

On multiple dates in December, 2013, the Corporation closed a private placement financing of units, each unit consisting of a Common Share and one half of one common share purchase warrant, and Common Shares issued on a “flow-through” basis (“**Flow-Through Shares**”) pursuant to the provisions of the *Income Tax Act* (Canada). Each whole warrant was exercisable into a Common Share for 18 months from the closing date at a price of $0.18. The Corporation issued approximately 7.8 million Flow-

Through Shares and 0.9 million units for aggregate gross proceeds of approximately $1.8 million. A syndicate of agents, including PI Financial Corp. and Canaccord Genuity Corp. as co-lead agents, were involved with the offering and were issued agents' warrants, exercisable for a period of 18 months from the closing date at a price of $0.18 per share. The Corporation expects to use the net proceeds from the offering to further the exploration and development activities of its oil and gas properties. The proceeds received by the Corporation from the sale of the Flow-Through Shares will be used to incur eligible Canadian Development Expenses and Canadian Exploration Expenses which will be renounced in favour of subscribers for the 2013 taxation year.

In August 2014, the Corporation closed a private placement of 400,000 Series 1 Preferred Shares at a price of $1.00 per share for total gross proceeds of $400,000. The Series 1 Preferred Shares can be converted into Common Shares after 12 months from the closing date at a conversion ratio of four (4) Common Shares per Preferred Share, being an effective price of $0.25 per Common Share, until 30 months from the closing date. Commencing on November 30, 2014, the Preferred Shares shall pay a dividend at a rate of 10% per year.

Shares of Debt Issuance

On October 29, 2012, the Corporation entered into shares for debt and shares for services agreements to settle outstanding payables with a number of creditors and service providers of the Corporation, through the issuance an aggregate of 555,000 Common Shares at a price of $0.15 per share, thereby reducing the Corporation's accounts payable by $83,250. The Common Shares issued under the shares for debt and shares for services transactions were subject to a four month hold period from the date of issuance in accordance with applicable securities laws.

In March 2013, the Corporation entered into shares for service agreements with a number of service providers and issued 650,000 Common Shares at a deemed price of $0.15 per share. Common Shares issued under the shares for service or debt transactions were subject to a four month hold period from the date of issuance in accordance with applicable securities laws.

In August 2013, the Corporation issued 559,996 Common Shares at a price of $0.15 per share and 100,000 Common Shares at $0.25 per share pursuant to shares for settlement agreements.

In November 2013, the Corporation issued 190,000 Common Shares as shares for service and debt agreements at a price of $0.18 per share.

Normal Course Issuer Bid

On March 12, 2013, Groundstar also announced the implementation of a normal course issuer bid ("**NCIB**") through the facilities of the TSXV to buy up to 1,300,000 Common Shares, which represented approximately 7.0% of the Corporation's then issued and outstanding Common Shares. Groundstar believes that from time to time, the market price of the Common Shares may not reflect their underlying value is therefore of the view that the repurchase of the shares represents a sound business decision. All Common Shares purchased under the NCIB will be returned to treasury and cancelled. Any Common Share purchases under the NCIB will be at the prevailing market price at the time of the transaction, purchased in accordance with the policies of the TSXV and conducted by the appointed broker and completed through the facilities of a Canadian registered exchange, including the TSXV and the Alpha Exchange, or through a Canadian alternative trading systems, including but not limited to, CHI-

X Canada, MATCH Now (TriAct Canada), Omega ATS and Pure Trading. The normal course issuer bid officially began on April 8, 2013 and ran until April 7, 2014. It was renewed for another year in April 2014 and will thus expire on April 7, 2015. Shareholders of Groundstar will be advised of the NCIB in public reporting of the Corporation and will be filed on SEDAR. As of April 30, 2014, a total of 1,352,000 Common Shares have been purchased pursuant to the NCIB for total cash payments of $169,702.22 representing an average cost per share of $0.125.

Option Issuances

On October 24, 2012, the Corporation granted 300,000 options to certain directors, officers, employees and consultants at an exercise price of $0.15 pursuant to the Corporation's rolling Stock Option Plan. These options vest over a 24-month period, with a five year term to expiry.

On January 7, 2013, the Company issued 495,000 options to certain directors, officers, employees and consultants at an exercise price of $0.20 pursuant to the Company's rolling Stock Option Plan, such options vesting over a 24-month period, with a five year term to expiry.

In September 2013, the Corporation issued 200,000 options to purchase Common Shares at a price of $0.18 per share to certain directors and consultants. Pursuant to the Company's Stock Option Plan, such options vest over a 24 month period with a 5 year term to expiry.

In April 2014, the Corporation has granted 500,000 options to certain directors, officers, employees and consultants at an exercise price of $0.20 pursuant to the Corporation's rolling Stock Option Plan.

In July 2014, the Corporation has granted 400,000 options to certain directors, officers, employees and consultants at an exercise price of $0.20 pursuant to the Corporation's rolling Stock Option Plan.

In September 2014, the Corporation has granted 400,000 options to certain directors, officers, employees and consultants at an exercise price of $0.25 pursuant to the Corporation's rolling Stock Option Plan.

Description of the Business

General

Groundstar, through its subsidiaries, is actively engaged in the exploration for, and the development, production and acquisition of, petroleum and natural gas interests globally, with a particular emphasis on Guyana, the Middle East and North Africa and the Western Canadian Sedimentary Basin in Alberta and Saskatchewan.

Groundstar's strategy to achieve growth is to acquire and invest in oil and gas properties in Guyana, the Middle East, North Africa and North America. Groundstar believes that it has developed a highly effective network of influential industry, political and institutional relationships which enable Groundstar to gain access to a wide variety of new oil and gas business opportunities and may provide Groundstar with the competitive capability necessary to generate future growth potential.

Groundstar believes that major oil companies, in the course of exploring large tracts of international acreage, frequently choose to ignore or abandon smaller discoveries, or discoveries with special infrastructure requirements. Smaller companies, such as Groundstar, without the overhead structures of these larger companies, can often through careful due diligence, planning and local intelligence, acquire and turn such discoveries into economic and profitable developments.

Groundstar has acquired a range of exploration interests. The Corporation's exploration strategy is to continue to focus on minimizing financial exposure of the Corporation to this type of investment, through effective portfolio management including industry farm-outs and the acquisition of net profits interests. Groundstar strives to create shareholder value through the evaluation and acquisition of world class assets in underdeveloped basins.

The tenets of the Corporation's strategy are:

a) Identifying and technically evaluating basins that offer potential for high quality oil and natural gas prospects;
b) Creating internally-generated geological and geophysical hydrocarbon prospects and forming strategic alliances with major industry and local partners;
c) Evaluating and considering participation in projects created by industry partners;
d) Developing and maintaining a portfolio of low to medium risk drilling opportunities;
e) Operating concessions, to the extent possible, to control timing and expense levels or forming a close association with the operating company; and
f) Pursuing projects with near-term "on-stream" characteristics to create cash flow.

Groundstar's process involves acquiring properties, and developing its properties through well and facility optimization, completions and development drilling. Once established in an area, Groundstar attempts to pursue additional exploratory and development drilling in the surrounding area.

The management of Groundstar has industry experience in many international producing areas and has the capability to expand the scope of the Corporation's activities as opportunities arise. Key elements of Groundstar's ultimate success include its ability to select opportunities that will create value for the Corporation and to form strategic alliances with influential local partners in certain prolific hydrocarbon regions. In reviewing potential property acquisitions, the Corporation considers, *inter alia*, the following criteria:

a) The ability of the Corporation to enhance the value of a property through additional exploratory and development drilling, completion and tie in of capped wells, additional exploitation efforts, including improved production practices, and improved marketing arrangements;
b) The quality of production and reserves, in terms of product type, production rates, stability of production, reserve life index and operating cost;
c) The compatibility of a property with management's organizational and technical skills, capabilities and the Corporation's existing portfolio;
d) The availability of existing infrastructure and the ability to expand that infrastructure in order to increase production;
e) The potential for multi-zone hydrocarbon production, i.e. drilling for deeper, untapped reservoirs;
f) The degree of control gained over operations and development, and the potential for the Corporation to become the operator; and
g) The ability to efficiently bring a property's production to market in the near term.

The Board of Directors of the Corporation may, in its discretion, approve asset or corporate acquisitions or investments that do not conform to these guidelines based upon the Board of Directors' consideration of the qualitative aspects of the subject properties including risk profile, technical upside, reserve life and asset quality.

Competitive Conditions

The oil and gas industry is highly competitive. Groundstar actively competes for reserve acquisitions, exploration leases, licences, concessions, skilled industry personnel and for capital to fund its activities with a substantial number of other oil and gas companies, many of which have significantly greater financial resources than the Corporation. The Corporation's competitors include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies. A number of the Corporation's competitors include companies that have greater financial and personnel resources available to them than the Corporation.

A number of the Corporation's customers and potential customers are themselves exploring for oil and natural gas. The results of such exploration efforts could affect the Corporation's ability to sell or supply oil or gas to these customers in the future. The Corporation's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Foreign Operations

Many of Groundstar's operations and related assets are located in countries outside North America, some of which may be considered too politically and economically unstable or which could become politically and economically unstable in the future. Such instability is outside the Corporation's control. Exploration or development activities in such countries may require protracted negotiations with host governments, national oil companies and third parties. These activities are frequently subject to economic and political considerations, such as taxation, nationalization, expropriation, inflation, currency fluctuations, increased regulation and approval requirements, governmental regulation and the risk of actions by terrorist or insurgent groups, any of which could adversely affect the economics of exploration or development projects.

Business Cycle & Seasonality

The Corporation's business is generally not cyclical, however, the surface access in Guyana is limited to the dry season which runs from October to March. In addition, access to certain drilling locations in the Western Canadian Sedimentary Basin may be limited during the Spring and Winter months.

Renegotiation or Termination of Contracts

It is not expected that the Corporation's business will be affected in the current financial year by the renegotiation or termination of contracts or sub-contracts.

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases, or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Environmental laws may impose remediation obligations and costs on “persons responsible” with respect to contaminated property, including persons responsible for the substance causing the contamination, persons responsible for the release, past and present owners of the property, and occupiers of the property. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material, and in the suspension or revocation of necessary licences and approvals, as well as civil liability for damage caused by pollution.

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability, and potentially increased capital expenditures and operating costs. The Corporation estimates the liability associated with its legal asset retirement obligations and provides for this estimate in its financial statements. As at April 30, 2014 the Corporation has accrued $94,664 for the fair value of the asset retirement obligations. The liability will be funded by future cash flow as required. No abandonment expenses were incurred in the year ended April 30, 2014.

The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require the Corporation to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Corporation’s financial condition, results of operations or prospects.

Employees

As of April 30, 2014, the Corporation had five directors, no full or part time employees and 9 consultants.

Risk Factors

A prospective investor should consider carefully the risk factors set out below before deciding whether to purchase securities of the Corporation. An investment in securities of the Corporation should only be made by persons who can afford a significant or total loss of their investment. An investment in the securities of the Corporation is speculative due to the nature of the Corporation’s involvement in the exploration, development and production of oil and natural gas and its present stage of development.

Exploration, Development & Production Risks

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration by the Corporation will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Management of the Corporation will continue to evaluate prospects on an ongoing basis in a manner consistent with industry standards and their past practices. The long term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Corporation will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition of the Corporation.

Distress in Financial Markets

In the future, the Corporation may require financing to grow its business. The recent distress affecting the financial markets and the possibility that financial institutions may consolidate or go bankrupt has reduced levels of activity in the credit markets. This could diminish the amount of financing available to companies. In addition, such turmoil in the financial markets could significantly increase the Corporation’s costs associated with borrowing. The Corporation’s liquidity and its ability to access the credit or capital markets may also be adversely affected by changes in the financial markets and the global economy. Continuing turmoil in the financial markets could make it more difficult for the Corporation to access capital, sell assets, refinance existing indebtedness, enter into agreements for new indebtedness or obtain funding through the issuance of securities. In addition, there could be a number of follow-on effects from the credit crisis on the Corporation, including insolvency of customers, key suppliers and other counterparties to the Corporation and foreign exchange derivative instruments.

Global Economic Downturn

In the event of a continued general economic downturn or a recession, there can be no assurance that the business, financial condition and results of operations of the Corporation would not be materially adversely affected.

Insurance
The Corporation's involvement in the exploration for and development of oil and gas properties may result in the Corporation becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although the Corporation has obtained liability insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Corporation's financial position, results of operations or prospects.

Competition
The international petroleum industry is competitive in all of its phases. The Corporation competes with numerous other participants in the search for oil and gas, the acquisition of oil and gas properties and in the marketing of oil and natural gas. Groundstar's competitors include oil and gas companies which have greater financial resources, staff and facilities than the Corporation. Many such competitors not only explore for and produce hydrocarbons, but also carry on refining and marketing of petroleum and other products on a world-wide basis. The Corporation's ability to increase reserves in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery.

Reliance on Operators & Key Employees
To the extent Groundstar is not the operator of its oil and gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators. In addition, the success of the Corporation will be largely dependent upon the performance of its key employees. The Corporation does not have any key man insurance policies, and therefore there is a risk that the death of any senior officer could have an adverse effect on the Corporation.

Project Risks
The Corporation will manage a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over runs could make a project uneconomic. The Corporation's ability to execute projects and market oil and natural gas will depend upon numerous factors beyond the Corporation's control, including:

- The availability of processing capacity;
- The availability and proximity of pipeline capacity;
- The availability of storage capacity;
- The supply of and demand for oil and natural gas;
- The availability of alternative fuel sources;
- The effects of inclement weather;
- The availability of drilling and related equipment;

- Unexpected cost increases;
- Accidental events;
- Currency fluctuations;
- Changes in regulations;
- The availability and productivity of skilled labour; and
- The regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Corporation could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Operating Hazards & Environmental Liabilities

Oil and natural gas exploration operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blow-outs, cratering and oil spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury. In accordance with industry practice, the Corporation is not fully insured against all of these risks, nor are all such risks insurable. Although the Corporation maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation could incur significant costs that could have a materially adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

Developing Countries: Political & Regulatory Instability

Many of Groundstar's oil and gas interests are located in developing countries, some of which have historically experienced periods of civil unrest and political and economic instability. Oil and gas exploration and development activities in these jurisdictions may be affected in varying degrees by political instability, government regulations relating to the oil and gas industry and foreign investors therein and the policies of other countries in respect of those nations. Any changes in regulations or shifts in political condition are beyond the control of the Corporation and may adversely affect its business.

Operations may be affected in varying degrees by government regulations, policies or directives with respect to restrictions on production or sales, price controls, export controls, repatriation of income, income taxes, carried interests for the state, expropriation of property and environmental legislation. The Corporation will also be required to negotiate property development agreements with the governments having jurisdiction over some of its properties. Such governments may impose conditions that will affect the viability of the project such as providing the government with free carried interests or providing subsidies for the development of the local infrastructure or other social assistance. There can be no assurance that the Corporation will be successful in concluding such agreements on commercially acceptable terms or that these agreements will be successfully enforced in the foreign jurisdictions in which the Corporation's properties are located. Operations may also be affected in varying degrees by political and economic instability, economic or other sanctions imposed by the other countries, terrorism, civil wars, guerrilla activities, military repression, crime, material fluctuations in currency exchange rates and high inflation. The political status of certain countries in which the Corporation operates may make it more difficult for it to obtain any required project financing from senior lending institutions because such lending institutions may not be willing to finance projects in these countries due to the perception of investment risk.

Infrastructure development in many of the countries in which the Corporation operates is limited. In addition, the Corporation's properties are located in remote areas, many of which are difficult to access. These factors may affect the Corporation's ability to explore and develop its properties and to store and transport its oil and gas. There can be no assurance that future instability in one or more of the countries in which the Corporation operates, actions by companies doing business there, or actions taken by the international community will not have a material adverse effect on the countries in question and in turn on the Corporation's financial condition or operations.

No assurance can be given that the Corporation will be able to maintain or obtain effective security or insurance for any of its assets or personnel in Guyana and Egypt where civil war, terrorism and guerrilla activities have disrupted various business activities at times during the past three decades and may affect the Corporation's operations or plans in the future. These countries have relied heavily upon, and may continue to rely upon, private military security organizations to establish and maintain peace and national security and law and order at the national level. Unless the governments of these countries can themselves provide the necessary degree of peace, order and security, the cost to, and the ability of, the Corporation to maintain effective security over its assets may be adversely impacted in the event private security organizations are no longer active, or are prohibited from operating, in such countries. A high degree of security is also required to mitigate the risk of loss by theft, either by the Corporation's employees or by third parties.

Title Matters

As a result of the limited infrastructure present in some of the countries in which the Corporation operates, land titles systems are not developed to the extent found in many industrialized nations. Although the Corporation believes that it has good title to its oil and gas properties, there is little it can do to control this risk.

The Corporation has investigated the rights to explore the various oil and gas properties it holds or proposes to acquire or to participate in and, to the best of its knowledge, those rights are in good standing. However, no assurance can be given that applicable governments will not revoke, or significantly alter the conditions of, the applicable exploration and development authorizations and that such exploration and development authorizations will not be challenged or impugned by third parties. There is no certainty that such rights or additional rights applied for will be granted or renewed on terms satisfactory to the Corporation. There can be no assurance that claims by third parties against the Corporation's properties will not be asserted at a future date.

Contractual Agreements

The Corporation is dependent on the receipt of government approvals or permits to explore and develop its properties. Any change in government or legislation may affect the status of the Corporation's contractual arrangements or its ability to meet its contractual obligations and may result in the loss of its interests in its oil and gas properties. Some of the contracts pursuant to which the Corporation holds an interest in its properties permit the other party to terminate the contract if force majeure conditions cause operations to be economically unviable or interrupted for more than thirty days. Due to the potential for civil unrest in certain countries in which the Corporation's properties are located, there can be no assurance that these properties will not become subject to force majeure conditions for more than 30 days which could have the consequence of putting those contractual interests at risk.

The laws of Canada do not apply to any of Groundstar's properties outside of Canada and no assurance can be given that contractual arrangements in such countries will be enforced or interpreted in the same manner or to the same extent as would be the case if the laws of Canada did apply.

Risks of Foreign Operations

While Groundstar exists under the laws of the Province of Alberta and its principal office is located in Calgary, Alberta, many of the assets of the Corporation are located outside of Canada. Several of the jurisdictions in which the Corporation operates may have less developed legal systems than Canada which may result in risks such as:

i. Effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or, in an ownership dispute, being difficult to obtain;
ii. A higher degree of discretion on the part of governmental authorities;
iii. The lack of judicial or administrative guidance on interpreting applicable rules and regulations;
iv. Inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or
v. Relative inexperience of the judiciary and courts in such matters. In certain jurisdictions the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licenses and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licenses, license applications or other legal arrangements will not be adversely affected by the actions of government authorities and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

Requirement for Permits & Licences: Exceptions to Laws

The operations of Groundstar require licences, permits and in some cases renewals of existing licences and permits from various governmental authorities. Management believes that the Corporation currently holds or has applied for all necessary licences and permits to carry on the activities which it is currently conducting under applicable laws and regulations in respect of its properties, and also believes that the Corporation is complying in all material respects with the terms of such licences and permits. However, the Corporation's ability to obtain, sustain or renew such licences and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governments.

Expiration of Licences & Leases

The Corporation's properties are held in the form of licences and leases and working interests in licences and leases. If the Corporation or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Corporation's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the Corporation's results of operations and business.

Availability of Drilling Equipment & Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment, typically leased from third parties, in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities. To the extent the Corporation is not the operator of its oil and gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

Currency Fluctuations & Foreign Exchange

The Corporation raises its equity in Canadian dollars and maintains its accounts in Canadian and United States dollars. The Corporation's current property acquisition and exploration commitments are denominated primarily in United States dollars and, to a lesser extent, in currencies of other countries. The developing countries in which the Corporation operates or proposes to operate impose or may impose foreign exchange restrictions that may materially affect the Corporation's financial position and results of operations.

Additional Funding Requirements

Groundstar presently does have sufficient financial resources to undertake all of its planned exploration and development programs. Future development of any reserves found on the Corporation's exploration properties depends upon the Corporation's ability to obtain financing through any or all of the following: joint venturing of projects, debt financing, equity financing or other means. There is no assurance that the Corporation will be successful in obtaining the required financing. The location of the many of the Corporation's oil and gas properties in developing countries may make it more difficult to obtain such financing. Failure to obtain additional financing on a timely basis could cause the Corporation to forfeit its interest in such properties and reduce or terminate its operations. If the Corporation's revenues decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Corporation's ability to expend the necessary capital to replace its reserves or to maintain production at current levels. If the Corporation's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements.

Regulatory Requirements

The current or future operations of Groundstar, including development activities and commencement of production on its properties, require permits from various foreign, federal, state and local governmental authorities and such operations are and will be governed by laws and regulations governing oil and gas exploration and development, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection and other matters. Governmental approvals and permits are currently, and may in the future be, required in connection with the Corporation's operation. To the extent such approvals are required and not obtained, the Corporation may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in oil and gas operations may be required to compensate those suffering loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of oil and gas companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and could cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new properties.

The Corporation may be required to hire and train local workers in its petroleum and natural gas operations. Some of these workers may be organized into labour unions. Any strike activity or labour unrest could adversely affect the Corporation’s ongoing operations and its ability to explore for, produce and market its oil and gas production.

Oil & Natural Gas Pricing

Both oil and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of the Corporation’s net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes produced by the Corporation. The Corporation might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Corporation’s net production revenue causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to the Corporation are in part determined by the borrowing base of the Corporation. A sustained material decline in prices from historical average prices could reduce the Corporation’s borrowing base, therefore reducing the bank borrowings available to the Corporation and could require a portion of the Corporation’s bank debt to be repaid.

Failure to Realize Anticipated Benefits of Acquisitions & Dispositions

The Corporation may make acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation’s ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired business may require substantial management effort, time and resources and may divert management’s focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets may be periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Corporation.

Reserve Replacement

The Corporation’s future oil and natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on the Corporation’s success in exploiting its current reserve base and acquiring or discovering additional reserves. Without the addition of reserves through exploration, acquisition or development activities, the Corporation’s reserves and production will decline over time as reserves are exploited. A future increase in the Corporation’s reserves will depend not only on the Corporation’s ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects. There is no assurance that the Corporation’s future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Issuance of Debt

From time-to-time the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Corporation’s debt levels above industry standards. Neither the Corporation’s articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation’s indebtedness from time-to-time could impair the Corporation’s ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Dilution

The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation which may be dilutive.

Management of Growth

The Corporation may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth could have a material adverse impact on its business, operations and prospects.

Dividends

The Corporation has not paid any dividends on its outstanding shares. Payment of dividends in the future will be dependent on, among other things, the cash flow, results of operations and financial condition of the Corporation, the need for funds to finance ongoing operations and other business considerations as the Board of Directors of the Corporation considers relevant.

Third Party Credit Risk

The Corporation may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on the Corporation and its cash flow from operations. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner’s willingness to participate in the Corporation’s ongoing capital program, potentially delaying the program and the results of such program until the Corporation finds a suitable alternative partner.

Conflicts of Interest

The directors or officers of the Corporation may also be directors or officers of other oil and gas companies or otherwise involved in natural resource exploration and development and situations may arise where they are in a conflict of interest with the Corporation. Conflicts of interest, if any, which arise will be subject to and governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Statement of Reserves Data and Other Oil and Gas Information

Oil and Gas Properties

A description of the Corporation's major exploration properties and the required filings pursuant to National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*, including Forms 51-101F1, F2 and F3 have been filed under the Corporation's profile on SEDAR at www.sedar.com. Such filings are hereby incorporated by reference in this AIF.

Dividend Policy

The Corporation has not declared or paid any dividends since its incorporation. The Corporation does not intend to pay dividends on its Common Shares or Preferred Shares in the foreseeable future, except for dividends payable in connection with the Series 1 Preferred Shares. Any decision by the Corporation to pay dividends on any other classes of its shares will be made by the Board of Directors on the basis of the Corporation's earnings, financial requirements and such other factors as the Board of Directors considers appropriate.

Description of Share Capital

Common Shares

The authorized share capital of Groundstar consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares. As at the date hereof, 26,485,649 Common Shares are issued and outstanding and 400,000 Series 1 Preferred Shares are issued and outstanding.

The holders of Common Shares are entitled to one vote per share at meetings of the shareholders of Groundstar, to receive dividends if, as and when declared by the Board of Directors of Groundstar and to receive the remaining property of Groundstar upon dissolution, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of Groundstar.

Preferred Shares

The Corporation may issue Preferred Shares which may from time-to-time be issued in one or more series. Prior to the issuance of a series of Preferred Shares, the Board of Directors may fix the number of Preferred Shares which are to comprise the series as well as the designation, rights, privileges, restrictions and conditions attaching to each series of Preferred Shares including, without limiting the generality of the foregoing, any voting rights, the rate or amount of dividends or the method of calculating dividends, the dates of payment of dividends, the terms and conditions of redemption, purchase and conversion terms if any, and any sinking fund or other provisions.

The holders of Preferred Shares are entitled to receive the remaining property of Groundstar in the event of dissolution, liquidation or winding-up, whether voluntary or involuntary, or any other return of capital or distribution of the assets of the Corporation amongst its shareholders for the purpose of winding up its affairs, in preference over the holders of Common Shares.

In August 2014, the Corporation created a class of Preferred Shares known as Series 1 Preferred Shares. The Series 1 Preferred Shares can be converted into Common Shares after 12 months from the date of issuance at a conversion ratio of four (4) Common Shares per Series 1 Preferred Share, being an effective price of $0.25 per Common Share, until 30 months from the date of issuance. Commencing on November 30, 2014, the Preferred Shares shall pay a dividend at a rate of 10% per year.

Market for Groundstar Shares

The Common Shares of Groundstar are listed and posted for trading on the TSXV under the symbol "GSA". The following table sets forth the price range and trading volume of the Common Shares as reported by the TSXV for the periods indicated.

	High ($)	**Low ($)**	**Volume**
2013			
October	0.15	0.11	291,095
November	0.25	0.10	1,636,559
December	0.21	0.13	454,987
2014			
January	0.175	0.11	965,947
February	0.17	0.10	2,405,166
March	0.16	0.11	1,277,747
April	0.15	0.14	702,147
May	0.15	0.115	1,407,664
June	0.16	0.115	1,711,651
July	0.195	0.15	1,050.068
August	0.19	0.15	4,064,393
September	0.19	0.13	1,134,991
October	0.175	0.10	1,074,068

Directors & Officers

The name, municipality of residence and principal occupation of each of the senior officers as well as the directors, who term of office expires at the next annual meeting of shareholders or earlier in accordance with the articles and bylaws of the Corporation, are as follows:

CHAD DUST
Chair / Director
Calgary, Alberta, Canada

Mr. Dust, B. Comm. is an energy industry entrepreneur assisting companies in structuring transactions, accessing capital and working directly with the board and management. He is currently a director of a number of private and public oil and gas companies and has been a director of the Corporation since September 14, 2012. Mr. Dust is a member of the Association of International Petroleum Negotiators and the Calgary Petroleum Club. Mr. Dust is also a member of the Corporation's Audit Committee.

TYRON PFEIFER
COO / Director
Calgary, Alberta, Canada

Chief Operating Officer of Groundstar from September 14, 2012 to present and a director since October 16, 2012. Mr. Pfeifer is a geoscientist with more than 30 years of domestic and international oil and gas experience working in exploration and as an evaluator. He has functioned in both private and public companies at executive and board levels with the past several years of his career focused on business and corporate development.

SHABIR PREMJI, C.A
CFO / Director
Calgary, Alberta, Canada

Mr. Shabir Premji, C.A. is an entrepreneur in the oil and gas sector. From 2007 to 2011 he was the Executive Chairman of Alberta Oilsands Inc. (AOS). He was the founding Director, President and CFO of Platform Resources Inc., the predecessor company to Alberta Oilsands Inc.

Prior to founding Platform Resources Inc. in 2004, he consulted to Conoco Phillips on financial accounting matters related to international projects. He was also the founder and President of Alberta Resources Ventures Inc. and 2 associated E&P companies and was the Founder and President of Alberta Resources Inc., a gas marketing company during the 1990's. He was a Vice President of Finance at Valgro Ltd, a pipeline valve manufacturing company in Alberta from 1988 to 1991. Mr. Premji was a senior manager with KPMG prior to entering the energy industry in 1988. Mr. Premji is also a member of the Corporation’s Audit Committee.

Murray Stodalka
Director
Calgary, Alberta, Canada

Mr. Stodalka is a Professional Engineer with extensive senior management experience in the oil and natural gas industry, and is Waldron Energy’s Executive Vice President, Engineering and Operations. Prior thereto, he was the Vice President of Engineering and Operations of Compton Petroleum Corporation and led a corporate strategy that built that firm from a small private start-up to a founder of the NYSE listed company with 32,500 boe/d. Previously, Mr. Stodalka held senior technical positions with Pennzoil, Exxon USA and with Texaco Canada. Mr. Stodalka holds a B.Sc. in Mechanical Engineering from the University of Saskatchewan and has been a member of the Association of Professional Engineers and Geoscientists of Alberta since 1982.

Dale Hammons, Director
Bonnyville, Alberta, Canada

Mr. Hammons is an independent business man with over 34 years of experience managing a wide range of businesses. The Hammons Group of Companies has nine active businesses.

Director and Executive Officer Share Ownership

As a group, the directors and executive officers of the Corporation own, directly or indirectly or exercise beneficial control over approximately 5.25 million Common Shares, representing approximately 19.83% of the issued and outstanding Common Shares as of the date of this AIF.

Cease Trade Orders

No director, executive officer or shareholder holding a sufficient number of securities to affect materially the control of the Corporation is, as of the date of this Annual Information Form, or has been, within the last 10 years, a director or executive officer of any company (including Groundstar) that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the company access to any statutory exemption for a period of more than 30 consecutive days or was declared a bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that person.

Penalties or Sanctions

No director, executive officer or shareholder holding a sufficient number of securities to affect materially the control of Groundstar, within the last 10 years, has been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer or theft or fraud.

Personal Bankruptcies

No director, executive officer or shareholder holding a sufficient number of securities to affect materially the control of Groundstar, or a personal holding company of any such persons, has, within the 10 years preceding the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or being subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

Conflicts of Interest

Circumstances may arise where members of the Board of Directors of the Corporation are directors or officers of corporations which are in competition to the interests of the Corporation. No assurances can be given that opportunities identified by such Board members will be provided to the Corporation. There are potential conflicts of interest to which the directors and officers of Groundstar will be subject in connection with the operations of Groundstar. In particular, certain of the directors and officers of Groundstar are involved in managerial and/or director positions with other oil and gas companies whose operations may, from time-to-time, be in direct competition with those of Groundstar or with entities which may, from time-to-time, provide financing to, or make equity investments in, competitors of

Groundstar. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

Legal Proceedings & Regulatory Actions

To the knowledge of the Corporation, there are no legal proceedings or regulatory actions material to the Corporation to which the Corporation is a party, or was a party to in the year ended April 30, 2014, or of which any of its properties is the subject matter, or was the subject matter of in the year ended April 30, 2014, nor are there any such proceedings known to the Corporation to be contemplated. There have been no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority and the Corporation has not entered into any settlement agreements with a court or securities regulatory authority.

Interest of Management & Others in Material Transactions

The Corporation is not aware of any material interest, direct or indirect, of any director or officer of the Corporation, any director or officer of a corporation that is an insider or subsidiary of the Corporation, or any other insider of the Corporation, or any associate or affiliate of any such person, in any transaction since the commencement of the Corporation’s last three completed financial years, or in any proposed transaction, that has materially affected or would materially affect the Corporation or any of its subsidiaries.

Transfer Agent & Registrar

CST Trust Company, at its principal offices in Calgary, Alberta and Toronto, Ontario is the registrar and transfer agent for the Common Shares.

Material Contracts

The Corporation has not entered into any material contracts that are outside the ordinary course of business, other than the Relinquishment Agreement, the Acquisition Agreement and the Agency Agreement, all of such agreements being filed under the Corporation’s profile on SEDAR at www.sedar.com.

Interests of Experts

Other than as set forth below, there is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 *Continuous Disclosure Obligations* by the Corporation during, or related to, the Corporation’s most recently completed financial year.

Deloitte & Touche LLP, Chartered Accountants, serves as the Corporation’s auditors, and as such, have prepared an opinion with respect to the Corporation’s consolidated financial statements as at and for the fiscal year ended April 30, 2014. Deloitte & Touch LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta.

Sproule Associates Limited ("**Sproule**") serves as the Corporation's independent reserves evaluator and as such, have evaluated the oil and gas reserves of the Corporation for the year ended April 30, 2014. A copy of Form 51-101F2 which has been signed by Sproule, has been filed on SEDAR under the Corporation's profile at www.sedar.com.

Additional Information

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Common Shares and securities authorized for issuance under equity compensation plans, is contained in the Corporation's Information Circular for the most recent annual meeting of shareholders that involved the election of directors.

Additional financial information is provided for in the Corporation's financial statements and management's discussion and analysis for the year ended April 30, 2014. Documents affecting the rights of security holders, along with other information relating to the Corporation, may be found on SEDAR at www.sedar.com and on the Corporation's website at www.groundstarresources.com.

Audit Committee

The purpose of Groundstar's Audit Committee is to provide assistance to the Board of Directors of Groundstar in fulfilling its legal fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Corporation. It is the objective of the Audit Committee to maintain a free and open means of communications among the Board of Directors, the independent auditors and the financial and senior management of the Corporation.

The full text of the Audit Committee's Charter is included as Appendix "A" to this Annual Information Form.

Composition of the Audit Committee

The Audit Committee is comprised of Shabir Premji, Dale Hammons and Chad Dust. Mr. Dust is the Chairman of the Audit Committee. Each of the members of the Audit Committee is financially literate as defined by subsection 1.6 of National Instrument 52-110 ("**NI 52-110**") and only Mr. Hammons is independent within the meaning set forth in NI 52-110.

Relevant Education and Experience

Please refer to the individual biographies for the members of the Audit Committee above under the heading "*Directors & Officers*".

Pre-Approval Policies & Procedures

The Audit Committee has the authority to pre-approve non-audit services which may be required from time-to-time. See *Powers and Responsibilities - Performance & Completion by Auditor of its Works provisions* of the Audit Committee Charter attached as Appendix "A" to this Annual Information Form.

Audit Fees

The aggregate fees billed by the Corporation's external auditor for audit services during the fiscal year ended April 30, 2014 were $40,000.

Audit-Related Fees

The aggregate fees billed by the Corporation's external auditor for the quarterly reviews of the Corporation's financial statements during the fiscal year ended April 30, 2014 were Nil.

Tax Fees

The aggregate fees billed by the Corporation's external auditor for professional services including tax compliance, tax advice and tax planning during the fiscal year ended April 30, 2014 were Nil.

All Other Fees

The aggregate fees billed by the Corporation's external auditor for assurance services on private placements, business acquisition reports, prospectus and due diligence procedures during the fiscal year ended April 30, 2014 were Nil.

Exemption

The Company is relying on the exemption in Section 6.1 of NI 52-110.

Appendix A

CHARTER FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF GROUNDSTAR RESOURCES LIMITED

I. MANDATE

The Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Groundstar Resources Limited (the "**Company**") shall assist the Board in fulfilling its financial oversight responsibilities. The Committee's primary duties and responsibilities under this mandate are to serve as an independent and objective party to monitor:

1. The quality and integrity of the Company's financial statements and other financial information;
2. The compliance of such statements and information with legal and regulatory requirements;
3. The qualifications and independence of the Company's independent external auditor (the "**Auditor**"); and
4. The performance of the Company's internal accounting procedures and Auditor.

II. STRUCTURE AND OPERATIONS

A. <u>Composition</u>

The Committee shall be comprised of three or more members.

B. <u>Qualifications</u>

Each member of the Committee must be a member of the Board.

A majority of the members of the Committee shall not be officers or employees of the Company or of an affiliate of the Company.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement.

C. <u>Appointment and Removal</u>

In accordance with the bylaws of the Company, the members of the Committee shall be appointed by the Board and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. Members of the Committee may be removed, with or without cause, by a majority vote of the Board.

D. <u>Chair</u>

Unless the Board shall select a Chair, the members of the Committee shall designate a Chair by the majority vote of all of the members of the Committee. The Chair shall call, set the agendas for and chair all meetings of the Committee.

E. Sub Committees

The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre approvals of audit and permitted non audit services, provided that a decision of such subcommittee to grant a pre-approval shall be presented to the full Committee at its next scheduled meeting.

F. Meetings

The Committee shall meet at least one time in each fiscal year, or more frequently as circumstances dictate. The Auditor shall be given reasonable notice of, and be entitled to attend and speak at, each meeting of the Committee concerning the Company's annual financial statements and, if the Committee feels it is necessary or appropriate, at every other meeting. On request by the Auditor, the Chair shall call a meeting of the Committee to consider any matter that the Auditor believes should be brought to the attention of the Committee, the Board or the shareholders of the Company.

At each meeting, a quorum shall consist of a majority of members that are not officers or employees of the Company or of an affiliate of the Company.

As part of its goal to foster open communication, the Committee may periodically meet separately with each of management and the Auditor to discuss any matters that the Committee or any of these groups believes would be appropriate to discuss privately. In addition, the Committee should meet with the Auditor and management annually to review the Company's financial statements in a manner consistent with Section III of this Charter.

The Committee may invite to its meetings any director, any manager of the Company, and any other person whom it deems appropriate to consult in order to carry out its responsibilities. The Committee may also exclude from its meetings any person it deems appropriate to exclude in order to carry out its responsibilities.

III. DUTIES

A. Introduction

The following functions shall be the common recurring duties of the Committee in carrying out its purposes outlined in Section I of this Charter. These duties should serve as a guide with the understanding that the Committee may fulfill additional duties and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of the Committee outlined in Section I of this Charter.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern which the Committee in its sole discretion deems appropriate for study or investigation by the Committee.

The Committee shall be given full access to the Company's internal accounting staff, managers, other staff and Auditor as necessary to carry out these duties. While acting within the scope of its stated purpose, the Committee shall have all the authority of, but shall remain subject to, the Board.

B. Powers and Responsibilities

The Committee will have the following responsibilities and, in order to perform and discharge these responsibilities, will be vested with the powers and authorities set forth below, namely, the Committee shall:

Independence of Auditor

1. Review and discuss with the Auditor any disclosed relationships or services that may impact the objectivity and independence of the Auditor and, if necessary, obtain a formal written statement from the Auditor setting forth all relationships between the Auditor and the Company, consistent with Independence Standards Board Standard 1.

2. Take, or recommend that the Board take, appropriate action to oversee the independence of the Auditor.

3. Require the Auditor to report directly to the Committee.

4. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the Auditor and former independent external auditor of the Company.

Performance & Completion by Auditor of its Work

5. Be directly responsible for the oversight of the work by the Auditor (including resolution of disagreements between management and the Auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.

6. Review annually the performance of the Auditor and recommend the appointment by the Board of a new, or re-election by the Company's shareholders of the existing, Auditor.

7. Pre approve all auditing services and permitted non audit services (including the fees and terms thereof) to be performed for the Company by the Auditor unless such non audit services:

    (a) which are not pre-approved, are reasonably expected not to constitute, in the aggregate, more than 5% of the total amount of revenues paid by the Company to the Auditor during the fiscal year in which the non-audit services are provided;

    (b) were not recognized by the Company at the time of the engagement to be non-audit services; and

    (c) are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee.

Internal Financial Controls & Operations of the Company

8. Establish procedures for:

   (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

   (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Preparation of Financial Statements

9. Discuss with management and the Auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.

10. Discuss with management and the Auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.

11. Discuss with management and the Auditor the effect of regulatory and accounting initiatives as well as off balance sheet structures on the Company's financial statements.

12. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

13. Discuss with the Auditor the matters required to be discussed relating to the conduct of any audit, in particular:

    (a) The adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the Auditor, internal auditor or management.

    (b) The management inquiry letter provided by the Auditor and the Company's response to that letter.

    (c) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

Public Disclosure by the Company

14. Review the Company's annual and quarterly financial statements, management discussion and analysis (MD&A) and earnings press releases before the Board approves and the Company publicly discloses this information.

15. Review the Company's financial reporting procedures and internal controls to be satisfied that adequate procedures are in place for the review of the Company's public

disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph, and periodically assessing the adequacy of those procedures.

16. Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process of the Company's financial statements about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

Manner of Carrying Out its Mandate

17. Consult, to the extent it deems necessary or appropriate, with the Auditor but without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.

18. Request any officer or employee of the Company or the Company's outside counsel or Auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

19. Have the authority, to the extent it deems necessary or appropriate, to retain special independent legal, accounting or other consultants to advise the Committee.

20. Make regular reports to the Board.

21. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

22. Annually review the Committee's own performance.

23. Provide an open avenue of communication among the Auditor, the Company's financial and senior management and the Board.

24. Not delegate, other than to one or more independent members of the Committee, the authority to pre approve, which the Committee must ratify at its next meeting, non-audit services to be provided by the Auditor.

C. Limitation of Audit Committee's Role

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the Auditor.