

**FORM 51-101F1 STATEMENT OF RESERVES DATA  
AND OTHER OIL AND GAS INFORMATION OF  
CYGAM ENERGY INC.**

**Part 1      Date of Statement**

**Item 1.1    Relevant Dates**

This Statement of Reserves Data and Other Oil and Gas Information of CYGAM Energy Inc. ("CYGAM" or the "Company") is dated April 30, 2012. The effective date of the information provided in this Statement is December 31, 2011 unless otherwise indicated. The information was prepared between December 31, 2011 and April 30, 2012.

**Part 2      Disclosure of Reserves Data**

In accordance with NI 51-101, the reserves data of the Company as set forth below (the "Reserves Data") is based upon an independent evaluation by InSite Petroleum Consultants Ltd. ("InSite") with an effective date of December 31, 2011 contained in the report of InSite dated April 26, 2012 (the "CYGAM Reserves Report").

The definitions of the various categories of reserves and expenditures are those set out in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101").

BOEs may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf:1 bbl, utilizing a conversion ratio of 6 Mcf:1 bbl may be misleading as an indication of value.

**It should not be assumed that the present worth of estimated future net revenue represents the fair market value of the reserves. There is no assurance that the escalating price and cost assumptions contained in the Painted Pony Reserves Report will be attained and variances could be material. The reserve and revenue estimates set forth below are estimates only and the actual reserves and realized revenue may be greater or less than those calculated.**

**Item 2.1    Reserves Data - Forecast Prices and Costs**

**Table 2.1.1 "Summary of Reserves as of December 31, 2011"** discloses, in the aggregate, the Company's gross and net proved reserves and proved plus probable reserves, estimated using forecast prices and costs, by product type. "Forecast prices and costs" means future prices and costs used by the Reserves Evaluator, in the CYGAM Reserves Report, that are generally accepted as being a reasonable outlook of the future, fixed or currently determinable future prices or costs to which the Company is bound. All properties and reserves are located onshore in Tunisia.

**Table 2.1.2 "Summary of Net Present Values of Future Net Revenue as of December 31, 2011"** discloses, in the aggregate, the net present value of the Company's future net revenue attributable to the reserves categories in the previous table, estimated using forecast prices and costs, before and after deducting future income tax expenses, and calculated without discount and using discount rates of 5%, 10%, 15% and 20%.

**Tables 2.1.3 "Total Future Net Revenue (Undiscounted) as of December 31, 2011", and Table 2.1.4 "Net Present Value of Future Net Revenue by Production Group as of December 31, 2011"** provide additional information regarding the future net revenue attributable to total proved reserves and total proved plus probable reserves outlined in table 2.1.2 "Summary of Net Present Values of Future Net Revenue".

**Table 2.1.3 "Total Future Net Revenue (Undiscounted) as of December 31, 2011"** discloses, in the aggregate, certain elements of the Company's future net revenue attributable to its proved reserves and its proved plus probable reserves, estimated using forecast prices and costs, and calculated without discount.

**Table 2.1.4 "Net Present Value of Future Net Revenue by Production Group as of December 31, 2011"** discloses, by production group, the net present value of the Company's future net revenue attributable to its proved reserves and its proved plus probable reserves, before deducting future income tax expenses, estimated using forecast prices and costs, and calculated using a 10% discount rate.

**Table 2.1.1  
SUMMARY OF RESERVES AS OF DECEMBER 31, 2011  
(Forecast Prices & Costs)**

| Reserves Category                  | RESERVES           |                  |               |             |               |             |
|------------------------------------|--------------------|------------------|---------------|-------------|---------------|-------------|
|                                    | Light Oil          |                  | Natural Gas   |             | TOTAL         |             |
|                                    | Gross (1)<br>Mbbbl | Net (2)<br>Mbbbl | Gross<br>MMcf | Net<br>MMcf | Gross<br>Mboe | Net<br>Mboe |
| Proved Developed Producing         | 102.3              | 102.3            | 0             | 0           | 102.3         | 102.3       |
| Proved Developed Non-Producing     | 17.8               | 17.8             | 0             | 0           | 17.8          | 17.8        |
| Proved Undeveloped                 | 163.8              | 163.8            | 0             | 0           | 163.8         | 163.8       |
| Total Proved                       | 283.9              | 283.9            | 0             | 0           | 283.9         | 283.9       |
|                                    |                    |                  | 0             | 0           |               |             |
| Total Probable                     | 263.2              | 263.2            | 0             | 0           | 263.2         | 263.2       |
| Total Proved + Probable            | 547.1              | 547.1            | 0             | 0           | 547.1         | 547.1       |
|                                    |                    |                  | 0             | 0           |               |             |
| Total Possible                     | 326.8              | 326.8            | 0             | 0           | 326.8         | 326.8       |
|                                    |                    |                  |               |             |               |             |
| Total Proved + Probable + Possible | 873.9              | 873.9            | 0             | 0           | 873.9         | 873.9       |

Notes:

(1) "Gross Reserves" are the Company's working interest share of the remaining reserves, before deduction of any royalties.

(2) "Net Reserves" are the Company's working interest share of the remaining reserves less all royalties.

(3) May not add due to rounding.

**Table 2.1.2**  
**SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE AS**  
**OF DECEMBER 31, 2011**  
**(Forecast Prices & Costs)**

| NET PRESENT VALUES OF FUTURE NET REVENUE  |                                   |               |               |               |               |                                  |               |               |               |               | UNIT VALUE<br>BEFORE<br>INCOME TAX<br>DISCOUNTED<br>AT 10% |        |
|---|-----------------------------------|---------------|---------------|---------------|---------------|----------------------------------|---------------|---------------|---------------|---------------|--|--------|
| Reserves Category                         | BEFORE INCOME TAXES DISCOUNTED AT |               |               |               |               | AFTER INCOME TAXES DISCOUNTED AT |               |               |               |               |  | \$/boe |
|   | 0%                                | 5%            | 10%           | 15%           | 20%           | 0%                               | 5%            | 10%           | 15%           | 20%           |  |        |
|   | M\$                               | M\$           | M\$           | M\$           | M\$           | M\$                              | M\$           | M\$           | M\$           | M\$           |  |        |
| PROVED                                    |                                   |               |               |               |               |                                  |               |               |               |               |  |        |
| Developed Producing                       | 7,230                             | 6,886         | 6,588         | 6,326         | 6,095         | 7,230                            | 6,886         | 6,588         | 6,326         | 6,095         | 64.41  |        |
| Developed Non-Producing                   | 612                               | 520           | 451           | 397           | 354           | 612                              | 520           | 451           | 397           | 354           | 25.33  |        |
| Undeveloped                               | 7,515                             | 6,302         | 5,317         | 4,508         | 3,835         | 7,515                            | 6,302         | 5,317         | 4,508         | 3,835         | 32.46  |        |
| <b>Total Proved</b>                       | <b>15,357</b>                     | <b>13,708</b> | <b>12,356</b> | <b>11,232</b> | <b>10,284</b> | <b>15,357</b>                    | <b>13,708</b> | <b>12,356</b> | <b>11,232</b> | <b>10,284</b> | <b>43.52</b>   |        |
| Probable                                  | 15,741                            | 12,941        | 10,826        | 9,188         | 7,891         | 15,741                           | 12,941        | 10,826        | 9,188         | 7,891         | 41.13  |        |
| <b>Total Proved + Probable</b>            | <b>31,098</b>                     | <b>26,648</b> | <b>23,182</b> | <b>20,419</b> | <b>18,175</b> | <b>31,098</b>                    | <b>26,648</b> | <b>23,182</b> | <b>20,419</b> | <b>18,175</b> | <b>42.37</b>   |        |
| Total Possible                            | 20,528                            | 14,893        | 11,084        | 8,410         | 6,475         | 20,528                           | 14,893        | 11,084        | 8,410         | 6,475         | 33.92  |        |
| <b>Total Proved + Probable + Possible</b> | <b>51,626</b>                     | <b>41,542</b> | <b>34,266</b> | <b>28,830</b> | <b>24,649</b> | <b>51,626</b>                    | <b>41,542</b> | <b>34,266</b> | <b>28,830</b> | <b>24,649</b> | <b>39.21</b>   |        |

Notes:

- (1) May not add due to rounding.

**Table 2.1.3**  
**TOTAL FUTURE NET REVENUE (Undiscounted)**  
**AS OF DECEMBER 31, 2011**  
**(Forecast Prices & Costs)**

| Reserve Category     | Revenue<br>M\$ | Royalties<br>M\$ | Operating<br>Costs<br>M\$ | Development<br>Costs<br>M\$ | Well<br>Abandonment<br>Costs<br>M\$ | BT Future Net<br>Revenue<br>M\$ | Income<br>Taxes<br>M\$ | AT Future Net<br>Revenue<br>M\$ |
|----------------------|----------------|------------------|---------------------------|-----------------------------|-------------------------------------|---------------------------------|------------------------|---------------------------------|
| PROVED               | 31,667         | -                | 7,644                     | 8,180                       | 485                                 | 15,357                          | -                      | 15,357                          |
| PROVED PLUS PROBABLE | 61,009         | -                | 13,638                    | 15,630                      | 644                                 | 31,098                          | -                      | 31,098                          |

Notes:

- (1) BT = Before Taxes and AT = After Taxes  
(2) May not add due to rounding.

**Table 2.1.4**  
**NET PRESENT VALUE OF FUTURE NET REVENUE**  
**BY PRODUCTION GROUP**  
**AS OF DECEMBER 31, 2011**  
**(Forecast Prices & Costs)**

| <u>RESERVES CATEGORY</u> | <u>PRODUCTION GROUP</u> | <u>FUTURE NET<br/>REVENUE BEFORE<br/>INCOME TAXES<br/>(discounted at<br/>10%/year)<br/>M\$</u> | <u>UNIT VALUE<br/>BEFORE<br/>INCOME<br/>TAXES<br/>(discounted at<br/>10%/year)<br/>\$/boe</u> |
|--------------------------|-------------------------|--|---|
| PROVED                   | Light and Medium Oil    | 12,356   | 43.52   |
| PROVED PLUS PROBABLE     | Light and Medium Oil    | 23,182   | 42.37   |

### Part 3 Pricing Assumptions

#### Item 3.1 Forecast Prices Used in Estimates

The forecast reference prices used by InSite in preparing the Company's reserves data are provided in the below table. This price forecast was based on McDaniel & Associates Consultants Ltd's standard price forecast effective January 1, 2012.

In 2011, the Corporation received a weighted average price of US\$109.62 per barrel for its crude oil.

| Year | Brent<br>US\$/bbl | Brent<br>Cdn\$/bbl | Tunisian Gas<br>US\$/MMBtu | Tunisian Gas<br>Cdn\$ | Exchange rate<br>\$US/\$Cdn |
|------|-------------------|--------------------|----------------------------|-----------------------|-----------------------------|
| 2012 | 107.50            | 110.26             | 10.06                      | 10.32                 | 0.975                       |
| 2013 | 102.60            | 105.23             | 9.61                       | 9.85                  | 0.975                       |
| 2014 | 102.60            | 105.23             | 9.61                       | 9.85                  | 0.975                       |
| 2015 | 103.50            | 106.15             | 9.69                       | 9.94                  | 0.975                       |
| 2016 | 104.40            | 107.08             | 9.77                       | 10.02                 | 0.975                       |
| 2017 | 105.50            | 108.21             | 9.88                       | 10.13                 | 0.975                       |
| 2018 | 106.40            | 109.13             | 9.96                       | 10.22                 | 0.975                       |
| 2019 | 107.40            | 110.15             | 10.06                      | 10.31                 | 0.975                       |
| 2020 | 108.30            | 111.08             | 10.14                      | 10.40                 | 0.975                       |
| 2021 | 110.60            | 113.44             | 10.35                      | 10.62                 | 0.975                       |
| 2022 | 112.70            | 115.59             | 10.55                      | 10.82                 | 0.975                       |
| 2023 | 115.00            | 117.95             | 10.77                      | 11.04                 | 0.975                       |
| 2024 | 117.30            | 120.31             | 10.98                      | 11.26                 | 0.975                       |
| 2025 | 119.60            | 122.67             | 11.20                      | 11.48                 | 0.975                       |
| 2026 | 122.10            | 125.23             | 11.43                      | 11.72                 | 0.975                       |

Thereafter <sup>(1)</sup>

Notes:

(1) Escalation rate of 2.0% per year

## Part 4 Reconciliation of Changes in Reserves

### Item 4.1 Reserves Reconciliation

The following tables provide reconciliations of the Company's gross reserves based on forecast prices and costs.

**Table 4.1**  
**RECONCILIATION OF COMPANY GROSS RESERVES BY PRINCIPAL PRODUCT TYPE**  
**(Forecast Prices & Costs)**

#### TUNISIA

| Description                    | Light and Medium Oil |                   |                                     | Associated and Non-Associated Gas |                  |                                    |
|--------------------------------|----------------------|-------------------|-------------------------------------|-----------------------------------|------------------|------------------------------------|
|                                | Proved<br>Mbbbl      | Probable<br>Mbbbl | Proved<br>plus<br>Probable<br>Mbbbl | Proved<br>MMcf                    | Probable<br>MMcf | Proved<br>plus<br>Probable<br>MMcf |
| <b>December 31, 2010</b>       | <b>146</b>           | <b>1,513</b>      | <b>1,659</b>                        | <b>0.0</b>                        | <b>904.0</b>     | <b>904.0</b>                       |
| Production                     | (35)                 | 0                 | (35)                                | 0.0                               | 0.0              | 0.0                                |
| Technical Revisions            | 47                   | (1,224)           | (1,177)                             | 0.0                               | (904.0)          | (904.0)                            |
| Extensions & Improved Recovery | 14                   | 63                | 78                                  | 0.0                               | 0.0              | 0.0                                |
| Discoveries                    | 22                   | 0                 | 22                                  | 0.0                               | 0.0              | 0.0                                |
| Category Transfer              | 90                   | (90)              | 0                                   | 0.0                               | 0.0              | 0.0                                |
| Acquisitions and dispositions  | 0                    | 0                 | 0                                   | 0.0                               | 0.0              | 0.0                                |
| Economic Factors               | 0                    | 0                 | 0                                   | 0.0                               | 0.0              | 0.0                                |
| Infill Drilling                | 0                    | 0                 | 0                                   | 0.0                               | 0.0              | 0.0                                |
| <b>December 31, 2011</b>       | <b>284</b>           | <b>263</b>        | <b>547</b>                          | <b>0.0</b>                        | <b>0.0</b>       | <b>0.0</b>                         |

(1) May not add due to rounding

#### CANADA

CYGAM sold all of its Canadian properties effective July 2011.

| Description                    | Light and Medium Oil |                 |                                   | Sales gas      |                  |                                    | NGL           |                 |                                   |
|--------------------------------|----------------------|-----------------|-----------------------------------|----------------|------------------|------------------------------------|---------------|-----------------|-----------------------------------|
|                                | Proved<br>BBL        | Probable<br>BBL | Proved<br>plus<br>Probable<br>BBL | Proved<br>MMcf | Probable<br>MMcf | Proved<br>plus<br>Probable<br>MMcf | Proved<br>BBL | Probable<br>BBL | Proved<br>plus<br>Probable<br>BBL |
| <b>December 31, 2010</b>       | <b>16,352</b>        | <b>6,699</b>    | <b>23,051</b>                     | <b>399</b>     | <b>69</b>        | <b>468</b>                         | <b>7,879</b>  | <b>1,664</b>    | <b>9,543</b>                      |
| Production                     | (713)                | 0               | (713)                             | (32)           | 0.0              | (32)                               | (764)         | 0               | (764)                             |
| Technical Revisions            | 0                    | 0               | 0                                 | 0              | 0                | 0                                  | 0             | 0               | 0                                 |
| Extensions & Improved Recovery | 0                    | 0               | 0                                 | 0              | 0                | 0                                  | 0             | 0               | 0                                 |
| Discoveries                    | 0                    | 0               | 0                                 | 0              | 0                | 0                                  | 0             | 0               | 0                                 |
| Disposition                    | (15,639)             | (6,699)         | (22,338)                          | (367)          | (69)             | (436)                              | (7,115)       | (1,664)         | (8,779)                           |
| Economic Factors               | 0                    | 0               | 0                                 | 0              | 0                | 0                                  | 0             | 0               | 0                                 |
| Infill Drilling                | 0                    | 0               | 0                                 | 0              | 0                | 0                                  | 0             | 0               | 0                                 |
| <b>December 31, 2011</b>       | <b>0</b>             | <b>0</b>        | <b>0</b>                          | <b>0</b>       | <b>0</b>         | <b>0</b>                           | <b>0</b>      | <b>0</b>        | <b>0</b>                          |

(1) May not add due to rounding

## Part 5 Additional Information Relating To Reserves Data

### Item 5.1 Undeveloped Reserves

The following table discloses the Company's gross proved undeveloped reserves, all of which are attributable to properties in which the Company has a working interest position. All proved undeveloped reserves are attributable to acreage that offsets existing production and are determined as per NI 51-101 guidelines. The Company has plans for developing most of the proved undeveloped and the probable undeveloped reserves within the next five years rather than two years, in order to allow for appropriate activity levels. However, the significant majority of the undeveloped reserves are scheduled to be developed within the next two years.

**Table 5.1.1**  
**SUMMARY OF PROVED UNDEVELOPED RESERVES**  
**(Forecast Prices & Costs)**

| Year        | Light & Medium Oil    |                             | Heavy Oil             |                             | Natural Gas           |                             | Natural Gas Liquids    |                              |
|-------------|-----------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------------|------------------------|------------------------------|
|             | First Attributed Mbbl | Cumulative at Year End Mbbl | First Attributed Mbbl | Cumulative at Year End Mbbl | First Attributed MMcf | Cumulative at Year End MMcf | First Attributed Mbbbl | Cumulative at Year End Mbbbl |
| 2009        | 60.0                  | 60.0                        | -                     | -                           | -                     | -                           | -                      | -                            |
| 2010        | -                     | 53.0                        | -                     | -                           | -                     | -                           | -                      | -                            |
| <b>2011</b> | <b>163.8</b>          | <b>163.8</b>                | -                     | -                           | -                     | -                           | -                      | -                            |

**Table 5.1.2**  
**SUMMARY OF PROBABLE UNDEVELOPED RESERVES**  
**(Forecast Prices & Costs)**

| Year        | Light & Medium Oil    |                             | Heavy Oil             |                             | Natural Gas           |                             | Natural Gas Liquids    |                              |
|-------------|-----------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------------|------------------------|------------------------------|
|             | First Attributed Mbbl | Cumulative at Year End Mbbl | First Attributed Mbbl | Cumulative at Year End Mbbl | First Attributed MMcf | Cumulative at Year End MMcf | First Attributed Mbbbl | Cumulative at Year End Mbbbl |
| 2009        | 909.0                 | 909.0                       | -                     | -                           | 453.0                 | 453.0                       | -                      | -                            |
| 2010        | -                     | 1,042.0                     | -                     | -                           | -                     | 505.0                       | -                      | -                            |
| <b>2011</b> | <b>112.8</b>          | <b>228.1</b>                | -                     | -                           | -                     | -                           | -                      | -                            |

Note: 2009 and 2010 amounts as reported by previous reserve evaluators

## **Item 5.2 Significant Factors or Uncertainties Affecting Reserves Data**

Estimates of economically recoverable oil and natural gas reserves and the associated future net cash flows are based upon a number of variable factors and assumptions. The main area of uncertainty is commodity price, as the Company currently sells all production at spot market pricing and has no hedges presently in place. The evaluated oil and gas properties of the Company have no material extraordinary risks or uncertainties beyond those which are inherent of an oil and gas producing company.

The process of estimating oil and gas reserves is complex, requiring significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas processing and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions, and are evaluated by an independent engineering firm. As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in period-end oil and gas prices and reservoir performance. Such revisions can be either positive or negative. The estimates of the Company's oil and natural gas reserves produced in this document are estimates only. There is no assurance or guarantee that the estimated reserves will be recovered. Actual reserves may be greater or less than the estimates provided herein.

Other significant factors or uncertainties in Tunisia include technical risk associated with performing fracture stimulations and future success and performance of infill wells. In addition, material changes may result from changes in to existing taxation or royalty rates and other regulations in Tunisia. Additional uncertainties are described in the Company's Management Discussion and Analysis (MDA) for the year ended December 31, 2011.

## Item 5.3 Future Development Costs

The following table provides information regarding the development costs deducted in the estimation of future net revenue attributable to the Company's reserves in Tunisia.

| Year | Forecast Prices and Costs (M\$) |                               |
|------|---------------------------------|-------------------------------|
|      | Undiscounted                    |                               |
|      | Proved Reserves                 | Proved Plus Probable Reserves |
|      | M\$                             | M\$                           |
| 2012 | 6,721                           | 8,717                         |
| 2013 | 548                             | 2,745                         |
| 2014 | 442                             | 2,937                         |
| 2015 | 311                             | 1,073                         |
| 2017 | 159                             | 159                           |
|      | 8,180                           | 15,630                        |

| Year | Forecast Prices and Costs (M\$) |        |
|------|---------------------------------|--------|
|      | Discounted at 10%               |        |
|      | M\$                             | M\$    |
| 2012 | 6,330                           | 8,276  |
| 2013 | 491                             | 2,451  |
| 2014 | 334                             | 2,356  |
| 2015 | 223                             | 769    |
| 2017 | 94                              | 94     |
|      | 7,471                           | 13,945 |

Note: The numbers in this table may not add exactly due to rounding.

The Company expects that the funds required for future development costs will be obtained from the combination of internally-generated cash flow, existing working capital, credit facilities and equity financing. There can be no guarantee that funds will be available or that the Company will allocate funding to develop all of the reserves attributed in the CYGAM Reserves Report. Failure to develop those reserves would have a negative impact on future cash flow.

## Part 6 Other Oil and Gas Information

### Item 6.1 Oil and Gas Properties and Wells

The Company's producing properties and to which reserves are assigned, are in the Bir Ben Tartar ("BBT") Production Concession within the Sud Remada Permit in Tunisia, where in both, CYGAM holds a 14% working interest.

As at December 31, 2011, the Company had an interest in 7 gross (0.98 net) producing wells as follows:

| Location     | PRODUCING <sup>(3)</sup> |                    |             |          | NON-PRODUCING |          |             |          |
|--------------|--------------------------|--------------------|-------------|----------|---------------|----------|-------------|----------|
|              | Oil                      |                    | Natural Gas |          | Oil           |          | Natural Gas |          |
|              | Gross <sup>(1)</sup>     | Net <sup>(2)</sup> | Gross       | Net      | Gross         | Net      | Gross       | Net      |
| Tunisia      | 7                        | 0.98               | 0           | 0        | 0             | 0        | 0           | 0        |
| Italy        | 0                        | 0                  | 0           | 0        | 0             | 0        | 0           | 0        |
| <b>TOTAL</b> | <b>7</b>                 | <b>0.98</b>        | <b>0</b>    | <b>0</b> | <b>0</b>      | <b>0</b> | <b>0</b>    | <b>0</b> |

**Notes:**

- (1) "Gross" wells means the number of wells in which CYGAM has a working interest or a royalty interest that may be convertible to a working interest.
- (2) "Net" wells means the aggregate number of wells obtained by multiplying each gross well by CYGAM's percentage working interest therein.
- (3) All the producing oil and natural gas wells in which CYGAM has an interest are operated by companies other than CYGAM.

## **Item 6.2 Properties with No Attributed Reserves**

The Company has interests in the following additional oil and gas properties to which no reserves have been attributed:

### Tunisia

Bazma, Sud Tozeur and balance of Sud Remada permits.

The permits with respect to Bazma and Sud Tozeur have been extended to July 2013 and May 2013 respectively. As a condition of the award and extension of the permits, Bazma has a work commitment of drilling one exploratory well and Sud Tozeur has a work commitment of 200 km<sup>2</sup> of 3D seismic and one exploratory well.

### Italy

BR.268.RG (Elsa), C.R148.VG (Aretusa), Civitaquana, Posta Nuova, Montalbano and Masseria Montarozzo permits and applications.

The following table sets forth the gross and net acres of unproved properties held by the Company and the net area of unproved property for which the Company expects its rights to explore, develop and exploit to expire during the next year.

**Table 6.2**  
**PROPERTIES WITH NO ATTRIBUTED RESERVES**

| <b>LOCATION</b> | <b>Gross<sup>(1)</sup></b> | <b>Net<sup>(2)</sup></b> | <b>Net Area to Expire in 2012</b> |
|-----------------|----------------------------|--------------------------|-----------------------------------|
| Tunisia         | 2,263,435                  | 1,591,066                | -                                 |
| Italy           | 383,798                    | 285,380                  | 38,189                            |
| <b>TOTAL</b>    | <b>2,647,233</b>           | <b>1,591,066</b>         | <b>38,189</b>                     |

**Notes:**

- (1) "Gross Acres" are the total acres in which CYGAM has an interest.
- (2) "Net Acres" is the aggregate of the total acres in which CYGAM has or had an interest multiplied by CYGAM's working interest percentage held therein.

## **Item 6.3 Forward Contracts**

As at December 31, 2011, CYGAM did not have any outstanding forward commodity or foreign exchange contracts.

## Item 6.4 Additional Information Concerning Abandonment and Restoration Costs

Estimated future abandonment and costs related to a property have been taken into account by the Reserve Engineers in determining reserves that should be attributed to a property and in determining the aggregate future net revenue therefrom. The Company uses information from a partner or operator or its internal historical costs to estimate its abandonment and reclamation costs when available. The costs are estimated on a well by well basis. The CYGAM Reserves Report assumes 1.8 net wells for proved reserves (3.1 net wells for proved and probable reserves) for which it expects to incur abandonment and reclamation costs.

The following table sets forth abandonment costs deducted in the estimation of the Company's future net revenue:

**Table 6.4.1**  
**ABANDONMENT & RECLAMATION COSTS**  
**(Forecast Prices & Costs)**

| <b>Year</b> | <b>Forecast Prices and Costs</b> |                                      |
|-------------|----------------------------------|--------------------------------------|
|             | <b>Undiscounted</b>              |                                      |
|             | <b>Proved Reserves</b>           | <b>Proved Plus Probable Reserves</b> |
|             | M\$                              | M\$                                  |
| 2017        | 159                              | -                                    |
| 2018        | 162                              | -                                    |
| 2019        | 165                              | -                                    |
| 2020        | -                                | 210                                  |
| 2021        | -                                | 214                                  |
| 2022        | -                                | 219                                  |
|             | 485                              | 644                                  |

  

| <b>Year</b> | <b>Forecast Prices and Costs</b> |            |
|-------------|----------------------------------|------------|
|             | <b>Discounted at 10%</b>         |            |
|             | <b>M\$</b>                       | <b>M\$</b> |
| 2017        | 94                               | -          |
| 2018        | 87                               | -          |
| 2019        | 81                               | -          |
| 2020        | -                                | 94         |
| 2021        | -                                | 87         |
| 2022        | -                                | 80         |
|             | 262                              | 261        |

Note: The numbers in this table may not add exactly due to rounding.

## Item 6.5 Tax Horizon

CYGAM estimates that based on current expenditure plans no income taxes will be payable on CYGAM's income for the 2012 fiscal year. It is likely that the Company will not become taxable until it commences significant production.

## Item 6.6 Costs Incurred

The following table summarizes CYGAM's property acquisition costs, exploration costs and development costs (before property dispositions) incurred during the year ended December 31, 2011.

| <b>Nature of cost</b> | <b>Tunisia<br/>(M\$)</b> | <b>Italy (M\$)</b> | <b>Total (M\$)</b> |
|-----------------------|--------------------------|--------------------|--------------------|
| Property              | -                        | -                  | -                  |
| Exploration Costs     | 1,032                    | 373                | 1,405              |
| Development Costs     | 5,473                    | -                  | 5,473              |
| <b>Total</b>          | <b>6,505</b>             | <b>373</b>         | <b>6,878</b>       |

## Item 6.7 Exploration and Development Activities

The following table sets forth the number of gross and net wells drilled by the Company during the year ended December 31, 2011.

| <b>Wells</b>       | <b>Tunisia</b> |            | <b>Italy</b> |            |
|--------------------|----------------|------------|--------------|------------|
|                    | <b>Gross</b>   | <b>Net</b> | <b>Gross</b> | <b>Net</b> |
| <b>Development</b> |                |            |              |            |
| Oil                | 5              | 0.7        | -            | -          |
| <b>Exploratory</b> |                |            |              |            |
| Oil                | -              | -          | -            | -          |
| <b>Total</b>       | <b>5</b>       | <b>0.7</b> | <b>-</b>     | <b>-</b>   |

In Tunisia, the Company's partner and operator plans to drill five additional development wells in the BBT Production Concession in the first half of 2012. Three wells will be vertical wells and two will be horizontal. Six additional contingent development wells have been identified for later in 2012, subject to successful results on the five wells in first half of 2012.

An exploratory well was drilled in March/April 2012 in the remainder of the Sud Remada permit, which was non-commercial. One Ordovician well is planned on a large structure in the Bazma permit in late 2012 or early 2013. In addition, CYGAM is currently finalizing the processing and interpretation of a large 2D seismic program at Bazma to further delineate several deep structures. Seismic interpretation will continue on the Sud Tozeur permit with potential target drilling dates in 2012 or early 2013.

In Italy, subsequent to the BP Macondo disaster in the Gulf of Mexico in 2010, the Italian government in 2010 passed into law the Legislative Decree DL128, amending the Italian Environmental code by prohibiting activities related to the exploration, research or production of liquid hydrocarbons and gases within five miles of the coastline and within twelve miles of the perimeter of protected marine parks.

A well is planned for the B.R268.RG permit in the Adriatic Sea upon the lifting of the drilling moratorium. It is not expected to be drilled in 2012. This well will be drilled to a target depth of 4,800 metres with a spud date yet to be determined. CYGAM will have a 30% free carried interest in the well. At Montalbano,

where CYGAM has a current 42.86% working interest, a well may be drilled when all the necessary government approvals are received. CYGAM is also planning to conduct a 3D marine seismic survey in 2012 or in 2013 over the Aretusa structure in the C.R148.VG permit, offshore Sicily, where the Company currently has a 100% working interest. A portion of this permit is not affected by the drilling moratorium.

### **Item 6.8 Production Estimates**

The BBT Production Concession in Tunisia comprises 100% of the estimated production for 2012, all of which is estimated to be oil. In 2012, production is estimated to be as follows:

Gross proved reserves - 77,500 barrels of oil  
 Gross probable reserves - 19,900 barrels of oil

### **Item 6.9 Production History**

The following table summarizes Cygam's production in Tunisia in 2011 before deduction of Tunisian production sharing amounts for the periods indicated.

| <b>Product</b>   | <b>Year (2011)</b> | <b>Q4 (2011)</b> | <b>Q3 (2011)</b> | <b>Q2 (2011)</b> | <b>Q1 (2011)</b> |
|------------------|--------------------|------------------|------------------|------------------|------------------|
| Light Oil (bbls) | 55,710             | 27,355           | 20,045           | 7,280            | 1,030            |
| Total (BOE/d)    | 152.63             | 297.1            | 217.9            | 79.1             | 11.4             |