CANADIAN PHOENIX
RESOURCES CORP.

Annual Information Form

Year Ended December 31, 2010

May 18, 2011

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SELECTED TERMS

Capitalized terms in this Annual Information Form have the meanings set forth below:

ABCA means *Business Corporations Act* (Alberta);

Board of Directors means the board of directors of Canadian Phoenix;

Canadian Phoenix, **we**, **us, our** or the **Corporation** means Canadian Phoenix Resources Corp.;

Common Shares means the common shares in the capital of Canadian Phoenix, as presently constituted;

NI 51-101 means *National Instrument 51-101 Standards for Disclosure for Oil and Gas Activities*;

Shareholders means holders of Common Shares;

Tax Act means the *Income Tax Act* (Canada) R.S.C., 1985, c.1 (5^{th} Supp.), as amended;

TSX means the Toronto Stock Exchange; and

TSXV means the TSX Venture Exchange.

ABBREVIATIONS

Oil and Natural Gas Liquids

Bbl	barrel
Bbls	barrels
Bbls/d	barrels per day
Mbbls	thousand barrels
MMbbls	million barrels
Mstb	thousand stock tank barrels of oil
NGLs	natural gas liquids

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Bcf	billion cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
MMbtu	million British Thermal Units
GJ	Gigajoule

Other

AECO	the natural gas storage facility located at Suffield, Alberta, connected to TransCanada's Alberta System.
API	American Petroleum Institute
°API	an indication of the specific gravity of crude oil measured on the API gravity scale
BOE or Boe	barrel or barrels of oil equivalent, using the conversion factor of 6 Mcf of natural gas being equivalent to one barrel of oil (this conversion method is primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. It is an industry accepted norm and is not based on either energy content or current prices). Boe may be misleading, particularly if used in isolation.
Boe/d	barrels of oil equivalent per day
$Cdn	Canadian dollars
m^3	cubic metres
MBoe	thousand barrels of oil equivalent, converting one barrel of oil to 6 Mcf of natural gas equivalent
mcfe	thousand cubic feet of gas equivalent
MMBoe	million barrels of oil equivalent
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil standard grade
$000s	thousands of dollars
$MM	millions of dollars

CONVERSIONS

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	cubic metres	28.174
cubic metres	cubic feet	35.494
Bbls	cubic metres	0.159
cubic metres	Bbls	6.289
Feet	Metres	0.305
Metres	Feet	3.281
Miles	kilometres	1.609
Kilometres	Miles	0.621
Acres	hectares	0.405
Hectares	Acres	2.471
Gigajoules	MMbtu	0.950
Mmbtu	gigajoules	1.0526

CONVENTIONS

Certain terms used herein are defined in the "*Selected Terms*". Certain other terms used herein but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101. Unless otherwise indicated, references herein to "$" or "dollars" are to Canadian dollars. All financial information herein has been presented in Canadian dollars in accordance with generally accepted accounting principals ("**GAAP**") in Canada.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This Annual Information Form, including documents incorporated by reference herein, and other reports and filings made with the securities regulatory authorities, contain forward-looking information and statements. These statements relate to our future events or our future performance. All information and statements other than statements of historical fact contained in this Annual Information Form are forward-looking information and statements. Such statements and information may be identified by looking for words such as "about", "approximately", "may", "believe", "expects", "will", "intends", "should", "plan", "budget", "predict", "potential", "projects", "anticipates", "forecasts", "estimates", "continues" or similar words or the negative thereof or other comparable terminology. 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. Forward-looking information and statements are based on the estimates and opinions of our management at the time the statements were made and the expectation reflected in those forward-looking statements are believed to be reasonable. In addition, forward-looking information and statements may include statements attributable to third party industry sources. There can be no assurance that the plans, intentions or expectations upon which such forward-looking information and statements are based will occur and such forward-looking statements should not be unduly relied upon.

In particular, this Annual Information Form and the documents incorporated by reference, contain forward-looking statements pertaining to the following:

- the performance characteristics of our oil and natural gas properties;
- expectation of future production rates and product mixes;
- our oil and natural gas reserve volumes;
- projected costs and plans and objectives;
- our future development, drilling and completion plans and opportunities;
- our land acquisition program and anticipated land expiries;
- projections of market prices and trading liquidity;
- our access to credit facilities, funding costs, ability to raise capital and financial flexibility;
- ability to fund our future development costs;
- proposed acquisitions or dispositions;
- supply and demand for oil and natural gas;
- capital and income taxes;
- anticipated abandonment and reclamation costs;
- future payment of dividends;
- commodity prices and commodity price risk management activity;
- projected cash flow, funds from operations and earnings and the components thereof;
- future income tax treatment and tax pools; and
- our capital expenditure program and the timing and funding thereof.

Forward-looking information and statements are subject to risks, uncertainties and assumptions, including those discussed below and elsewhere in this Annual Information Form. Although we believe that the expectations represented in such forward-looking information and statements are reasonable, there can be no assurance that such expectations will prove to be correct. Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking information and statements contained herein include the following:

- volatility of commodity prices;
- liabilities inherent in oil and natural gas operations;
- imprecision of reserve and resource estimates;
- competition from other industry participants;
- the lack of availability of qualified personnel or management or oilfield services;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling and processing problems;
- fluctuation in foreign exchange or interest rates;
- stock market volatility;
- general economic and industry conditions;
- environmental risks;
- the inability to access sufficient capital from internal and external sources;
- governmental regulation, applicable royalty rates and tax laws; and
- the other factors discussed under "*Risk Factors*".

The reader is further cautioned that the preparation of financial statements in accordance with GAAP requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. Estimating reserves is also critical to several accounting estimates and requires judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes. Information and statements relating to "reserves" or "resources" are deemed to be forward-looking information and statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated, and that the reserves can be profitably produced in the future. Therefore, Canadian Phoenix's actual results, performances or achievement could differ materially from those expressed in, or implied by, these forward-looking estimates and if such actual results, performances or achievements transpire or occur, or if an of them do so, there can no certainty as to what benefits Canadian Phoenix will derive there from. **The information contained in this Annual Information Form, including the documents incorporated by reference herein, identifies additional factors that could affect our operating results and performance. We urge readers to carefully consider those factors.**

The forward-looking information and statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking information and statements included in this Annual Information Form are made as of the date of this Annual Information Form and we undertake no obligation to publicly update such forward-looking information and statements to reflect new information, subsequent events or otherwise unless required by applicable securities laws.

OIL AND GAS EQUIVALENCY

We have adopted the standard of 6 Mcf:1 Bbl when converting natural gas to oil and 1 Bbl:6 Mcf when converting oil to natural gas. **Boe's and Mcfe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 Boe or an Mcfe conversion of 1 Bbl:6 Mcfe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.**

NON-GAAP MEASURES

The following terms are used in this MD&A, but do not have any standardized meaning prescribed by GAAP and therefore might not be comparable with similarly described measures for other companies. The Corporation defines these terms as follows:

- "Funds from operations" are cash flows from operating activities, excluding related changes in non-cash working capital.
- "Netbacks" equal total product revenue less royalties and operating costs.

Funds from operations and netbacks may be presented as a total amount, on a per share basis, or on a per barrel of oil equivalent ("boe") basis. Measurements on a boe basis are used to present all petroleum and natural gas ("P&NG") measures in uniform units which are calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil ("6:1"). The 6:1 conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Readers are cautioned not to view non-GAAP measures as alternatives to financial measures calculated in accordance with GAAP.

CORPORATE STRUCTURE

Name, Address and Incorporation

We were incorporated under the ABCA on January 14, 1997 as "723765 Alberta Ltd.". On February 5, 1998, we filed Articles of Amendment to change our name to "Charger Petroleums Inc.". We removed our "private company" provisions on September 15, 1998. On July 23, 1999, we changed our name to "Charger Energy Inc.". On April 11, 2003 we consolidated our outstanding Common Shares on a ten (10) for one (1) basis and changed our name to "Arapahoe Energy Corporation". On February 6, 2004, we amalgamated with Crazy Horse Energy Inc. and continued under the name "Arapahoe Energy Corporation". On October 20, 2005, we amalgamated with our wholly-owned subsidiary Arapahoe Energy Holdings Ltd. (formerly 38659 Yukon Inc.) and continued under the name "Arapahoe Energy Corporation".

On December 27, 2007, our shareholders passed a special resolution to change our name to "Canadian Phoenix Resources Corp.", which became effective on January 4, 2008. Our Common Shares began trading on the TSXV under the symbol "CPH" on January 7, 2008. On November 16, 2009 we consolidated our outstanding Common Shares on a twenty-five (25) for one (1) basis, and on November 18, 2009 we commenced trading on the TSXV under a new symbol "CXP".

As of the date hereof, we have 58,468,718 Common Shares issued and outstanding, as well as 11,271,448 Common Share purchase warrants and 2,484,800 stock options outstanding, each convertible into one Common Share. We are a reporting issuer in the Provinces of British Columbia and Alberta.

Our head office is located at Suite 3300, 205 - 5th Ave. S.W., Calgary, Alberta, T2P 2V7 and our registered office is located at Suite 1000, 250 - 2nd Street S.W., Calgary, Alberta, T2P 0C1.

Intercorporate Relationships

Canadian Phoenix had no material subsidiaries as at December 31, 2010. Material subsidiaries are defined as those constituting 10% of our net assets as at December 31, 2010.

During 2010, Canadian Phoenix disposed of two subsidiaries, Serrano Energy Limited and Marble Point Energy Ltd, which were material subsidiaries until the dates of their disposals. These subsidiaries are discussed under the "General Development of our Business" heading, herein.

GENERAL DEVELOPMENT OF OUR BUSINESS

Three Year History

Since inception, our principal activities have been the acquisition, exploration and development of oil and natural gas properties, with a focus on consolidating undervalued oil and natural gas assets located in the Western Canadian Sedimentary Basin.

On February 1, 2008, we executed a term sheet with Serrano Energy Limited ("Serrano") with respect to a multi-step transaction which was completed on August 19, 2008. We acquired 11 million common shares in the capital of Serrano ("Serrano Shares") representing approximately 50.1% of the then outstanding Serrano Shares. The transaction was comprised of three separate transactions:

- Freemont Transaction – we sold to Serrano our working interest in approximately 9,680 acres of land in the Freemont area of Saskatchewan in consideration of $35 million, which was paid through the issue of 7 million Serrano Shares.
- Subscription Transaction – we purchased 2 million Serrano Shares from treasury at a price of $5 per share. As part of this transaction, we were also granted a pre-emptive right to participate in the distribution of securities by Serrano in certain circumstances.
- Farm-in Transaction – we farmed-in on certain of Serrano's oil and gas properties to incur qualifying exploration expenditures. We also entered into an option agreement with Serrano pursuant to which Serrano was granted the option to purchase some or all of the oil and properties (up to a maximum of $5 million) earned by us under the farm-ins in consideration for 2 million Serrano Shares.

On March 17, 2008, we completed a non-brokered private placement of 202,398,000 units at a price of $0.125 per unit for gross proceeds of $25,299,750. Each unit consisted of one Common Share and one Common Share purchase warrant. Each warrant entitled the holder to purchase one Common Share for up to a period of two years upon payment of the exercise price of $0.15 per share.[1]

On June 11, 2008, we entered into an agreement for the acquisition of certain oil and natural gas properties of Blue Parrot Energy Inc. (now Ria Resources Inc.)("Blue Parrot"). On September 30, 2008, the transaction was completed and we paid $6.4 million in consideration for the assets through the issuance of 95,000,000 units. Each unit was comprised of one Common Share and one-half Common Share purchase warrant. Each warrant entitles the holder to acquire one-half of one Common Share for up to a period of two years at a price of $0.20 per share.[2]

On September 20, 2008, we completed a series of transactions with Marble Point Energy Ltd ("Marble Point") resulting in us acquiring 56.5% of the then outstanding common shares in the capital of Marble Point ("Marble Point Shares"). We subscribed for 90,000,000 Marble Point Shares at a subscription price of $0.65 per share and a total subscription price of $58.5 million. The subscription was largely funded by the private placement of

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[1] Following the November 16, 2009 share consolidation (25:1), the March 17, 2008 issuance converts to 8,095,920 units (one share, one warrant) at a price of $3.13. The original exercise price of the warrants converts to $3.75 – however this was subsequently amended to $1.25 to January 11, 2011, and $2.50 from January 12, 2011 to a revised expiry date of March 17, 2011.

[2] Following the November 16, 2009 share consolidation (25:1), the September 30, 2008 issuance converts to 3,800,000 units (one share, one-half of one warrant). The original exercise price of the 1,900,000 warrants converts to $5.00 – however this was subsequently amended to $1.25 to September 30, 2010, and $2.50 from October 1, 2010 to a revised expiry date of September 30, 2011.

329,666,661 units in the Corporation at a price of $0.15 per unit. Each unit was comprised of one Common Share and one Common Share purchase warrant. Each warrant entitles the holder to acquire one Common Share for up to a period of two years at a price of $0.20 per share.[3]

In April 2009, we divested of a gross-overriding royalty in the Bonnie Glen Unit of central Alberta that the Corporation had acquired in the Blue Parrot transaction described previously for total proceeds of $1 million. The consideration consisted of $0.5 million cash and a promissory note. The promissory note is secured with a debenture and general security agreement on the assets of Blue Parrot, subordinated to an arm's length lender with Blue Parrot. The promissory note was repayable in two installments, of which the first installment was received in 2009. The final payment of $225,000 was received in the fourth quarter of 2010.

In April 2009, Serrano exercised its option available under the purchase agreement to re-acquire its 40% interest in a number of wells in the Sawdy region of Alberta, for consideration of $1.00. We retained a 40% participating interest in a number of wells in the Pembina area of Alberta on which we had earned that interest under the Serrano purchase agreement. The result was that we paid Serrano and the operator of the wells $1.65 million to satisfy all gross accounts payable between Serrano and the operator, and between us and Serrano.

At the annual general and special of meeting of shareholders (the "2009 AGM") held on November 12, 2009, the shareholders approved the consolidation of Common Shares on the basis of 25 old shares for one new share. The share consolidation took effect on November 16, 2009, and Common Shares began trading on the TSXV under the new symbol of "CXP".

Also at the 2009 AGM, the shareholders approved the following amendments to the issued and outstanding warrants of the Corporation, which were subsequently approved by the TSXV:

- The exercise price of the Corporation's 8,904,712 warrants dated March 17, 2008 was amended to $1.25 per Common Share up to and including the period ending January 11, 2011, and $2.50 per Common Share from January 12, 2011 to a revised expiry date of March 17, 2011. Subsequent to this amendment, 4,223,670 of these warrants have been exercised, 4,681,042 have expired, and none are currently outstanding.

- The exercise price of the Corporation's 17,365,023 warrants dated September 19, 2008 was amended to $1.25 per Common Share up to and including the period ending January 11, 2011, and $2.50 per Common Share from January 12, 2011 to a revised expiry date of September 19, 2011. Subsequent to this amendment, 6,676,416 of these warrants have been exercised and 10,688,607 are currently outstanding.

- The exercise price of the Corporation's 1,900,000 warrants dated September 30, 2008 was amended to $1.25 per Common Share up to and including the period ending September 30, 2010, and $2.50 per Common Share from October 1, 2010 to a revised expiry date of September 30, 2011. Subsequent to this amendment, 1,317,159 of these warrants have been exercised and 582 are currently outstanding.

The Corporation constituted a Special Committee of independent directors in mid-2009 to investigate and evaluate strategic alternatives available to the Corporation, including opportunities to divest certain of its oil and gas assets. In 2010 two agreements were reached:

- On May 26, 2010, the shareholders of the Corporation and the shareholders of Serrano approved the sale of all of Serrano's Shares to an intermediate oil and gas producer. The disposition of the Corporation's 10,981,000 Serrano Shares was completed on May 26, 2010 and yielded gross proceeds of $24.8 million.

- On May 26, 2010, the Corporation's shareholders approved a proposed amalgamation between Marble Point and a third party, subject to approval by all Marble Point shareholders and regulatory agencies. The

[3] Following the November 16, 2009 share consolidation (25:1), this unit issuance converts to 13,186,666 units (one share, one warrant) at a price of $3.75. The original exercise price of the warrants converts to $5.00 – however this was subsequently amended to $1.25 to January 11, 2011, and $2.50 from January 12, 2011 to a revised expiry date of September 19, 2011.

transaction was completed on June 25, 2010 under slightly modified terms (none of which impacted the Corporation's consideration receivable) than those approved by the Corporation's shareholders. Total proceeds on the sale of the Corporation's 90 million Marble Point Shares were $44.7 million, net of $0.3 million in transaction costs.

As a result of the Serrano and Marble Point dispositions, Canadian Phoenix held few productive assets as at December 31, 2010, but maintained a cash position of $75.0 million, which has subsequently increased to over $79.5 million.

DESCRIPTION OF OUR BUSINESS

Business Objectives and Strategy

Historically, the Corporation's business strategy has been to consolidate undervalued oil and gas assets in the Western Canadian Sedimentary Basin, while also being involved in the exploration, development and operation of oil and natural gas properties in certain high-potential, multi-zone areas in Western Canada. Following this strategy, the Corporation strived to maintain a risk balance between exploration, development and operational projects, combined with the strategic acquisition of assets that met its business parameters.

In mid-2009, seeking to preserve capital and enhance its financial position, the Corporation constituted a Special Committee of independent directors to investigate and evaluate strategic alternatives available to the Corporation, including opportunities to divest certain of its oil and gas assets, such as Serrano and Marble Point.

Currently, the Special Committee continues to assess options to divest of its remaining legacy assets, but is also seeking investment opportunities to re-deploy its cash in new oil and gas assets or revenue streams.

Cyclical and Seasonal Impact of Industry

The exploration for and development of oil and natural gas reserves is dependent on access to areas where production is to be conducted. Seasonal weather variations, including freeze-up and break-up, affect access in certain circumstances.

The oil and natural gas industry is cyclical whereby commodity prices move up and down on a periodic basis due to changing global and domestic supply and demand conditions. In late 2008 and early 2009, a downturn in the global economy resulted in reduced oil and natural gas prices and general weakness in world financial markets. While oil prices have since recovered, natural gas prices remain depressed and are forecast to remain at low levels throughout the near term. Price volatility, especially for natural gas, has made it difficult to dispose of our remaining assets, which are primarily gas assets, and reduces the number of attractive investment opportunities available to Canadian Phoenix. See *"Risk Factors"*.

Economic Dependence

Currently, Canadian Phoenix holds substantial capital in cash, but in the longer term, our operational results and financial condition will be dependent on the prices received for oil and/or natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions, as well as conditions in other oil and natural gas regions. Any decline in oil and natural gas prices could have an adverse effect on our financial condition. We mitigate such price risk through closely monitoring the various commodity markets and ensuring that drilling projects are economic at lower price levels. We have also established a commodity hedging policy, which allows us to manage price risk, although we have not entered into any price hedging arrangements to date. See "*Risk Factors*".

Competitive Conditions

The oil and natural gas industry is intensely competitive in all its phases. We compete with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Our competitors include resource companies, which have greater financial resources, staff and facilities than ours. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. We believe that our competitive position is equivalent to that of other oil and gas issuers of similar size and at a similar stage of development. See "*Risk Factors*".

Environment, Health and Safety

We are committed to the health and safety of our employees, contractors and the public and strive to:

- provide a safe working environment to all our employees and contractors;
- employ or contract individuals with the skills, training and equipment necessary to complete their work in a safe manner;
- meet or exceed regulatory and/or recognized industry standards;
- ensure all contractors are committed to excellence in health and safety; and
- illustrate our preparedness for any incidents with an effective emergency response program.

We carry out our activities and operations in compliance with all relevant and applicable environmental regulations and good industry practice. At present, our management believes that we meet all applicable environmental standards and regulations and have included appropriate amounts in our capital expenditure budget to continue to meet our ongoing environmental obligations. See "*Industry Conditions – Environmental Regulation*" and "*Risk Factors*".

In support of the environment, health and safety management system, we maintain an active well abandonment and site restoration program and a comprehensive integrity management program for our surface piping, facilities, storage tanks and underground pipelines. See "*Industry Conditions – Environmental Regulation*" and "*Risk Factors*".

Insurance

We carry insurance coverage to protect our assets at or above the standards typical within the oil and natural gas industry for companies of our size. Insurance levels have been established and acquired by us after considering the perceived risk of loss, coverage determined appropriate and the overall cost. Coverage currently in place includes protection against third-party liability, property damage or loss, and may include business interruption for certain properties. In addition, director and officer liability coverage is carried for our directors and officers. See "*Risk Factors*".

Personnel

At December 31, 2010, we employed one full-time person and four part-time administrative and management consultants. In addition, we retain the services of various operations, legal, technology and other contractors as required.

Renegotiation or Termination of Contracts

As at the date hereof, we do not anticipate that any aspect of our business could be materially affected in the remainder of 2011 by the renegotiation or termination of contracts or subcontracts.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

On April 27, 2011, as communicated in Form 51-101F4, we issued the following documents effective December 31, 2010 as required under National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*:

- Form NI 51-101F1 - Statement of Reserves Data and Other Oil and Gas Information;
- Form NI 51-101F2 - Report on Reserves Data by Independent Qualified Reserves Evaluator; and
- Form NI 51-101F3 - Report of Management and Directors on Reserves Data and Other Information.

These documents are available on SEDAR (*www.sedar.com*), and are incorporated by reference in this AIF.

DESCRIPTION OF OUR SHARE CAPITAL

We are authorized to issue an unlimited number of Common Shares and unlimited number of preferred shares, issuable in series. As of the date hereof, we have 58,468,718 Common Shares and no preferred shares issued and outstanding. Our share provisions have been filed on SEDAR at *www.sedar.com*.

Common Shares

The holders of our Common Shares are entitled to (a) notice of, to attend and to one vote per share held at any meeting of our shareholders (other than meetings of a class or series of our shares other than the Common Shares as such); (b) receive dividends if, as and when declared by our Board of Directors on the Common Shares as a class, subject to prior satisfaction of all preferential rights to dividends attached to all shares of other classes of our shares ranking in priority to the Common Shares in respect of dividends; and (c) subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of our shares ranking in priority to the Common Shares in respect of return of capital on dissolution, to share ratably, together with the holders of any other class of our shares ranking equally with the Common Shares in respect of return of capital on dissolution, in our assets as are available for distribution.

Preferred Shares

We are authorized to issue an unlimited number of preferred shares, issuable in series, and will have such rights, restrictions, conditions and limitations as the Board of Directors may determine from time to time. The holders of each series of preferred shares are entitled to be paid rateably with holders of each other series of preferred shares, dividends if, as and when declared by our Board of Directors and to receive our remaining property and assets upon our dissolution or winding-up in priority to holders of Common Shares and any other shares ranking junior to the preferred shares.

MARKET FOR SECURITIES

The Corporation's Common Shares are traded on the TSX Venture Exchange in Canada under the symbol "CXP".

Trading Price and Volume

During the Corporation's last completed financial year, the monthly price range and volume of trading of its Common Shares on the TSXV was as follows:

	Price Range		
	High	**Low**	**Volume**
2010			
January	$0.90	$0.70	1,036,731
February	$0.85	$0.76	1,349,640
March	$1.15	$0.77	2,629,873
April	$1.25	$0.91	1,019,379
May	$1.35	$1.07	1,508,002
June	$1.30	$1.20	1,148,909
July	$1.30	$1.21	1,320,017
August	$1.39	$1.21	2,131,996
September	$1.60	$1.29	1,975,929
October	$1.47	$1.30	4,412,268
November	$1.47	$1.23	1,029,449
December	$1.43	$1.32	1,840,822

Since the last completed financial year end, we issued 4,429,478 Common Shares from Treasury following the exercise of 4,429,478 warrants at $1.25 per warrant.

Prior Sales

We have not sold any securities which are convertible to Common Shares during or subsequent to 2010.

DIVIDEND RECORD AND POLICY

We have not paid any dividends on our Common Shares or other securities to date. We do not foresee the declaration or payment of any dividends on the Common Shares or any other classes of our securities in the near future. Any decision to pay dividends on the Common Shares or any other classes of our securities will be made by our Board of Directors on the basis of our earnings, financial requirements and other conditions existing at such future time and which our Board of Directors consider appropriate in the circumstances.

DIRECTORS AND OFFICERS

Directors and Officers

The names, municipalities of residence, positions with us, the period each director has served as a director and the occupation of our directors and officers at December 31, 2010 are set out below.

Name and Municipality of Residence	Office Held	Director Since	Principal Occupation
Harry Knutson (1)(2)(3)(4) Vancouver, British Columbia	Chairman of the Board of Directors	Director since November 17, 2008; Chairman since June 17, 2009	Mr. Knutson has been Chairman and Chief Executive Officer of Nova Bancorp Group since 1982. Mr. Knutson is a Canadian Chartered Director and is currently a director of Bonavista Energy Corporation, Pure Energy Services Ltd., Novus Energy Inc., AgriMarine Holdings Inc., Canadian Phoenix Resources Corp. and Terrex Energy Inc. From August 2005 to November 2006, he was President, Chief Executive Officer and Chairman of Donner Petroleum Ltd. From July 2004 to September 2008, he was Chairman of Velo Energy Inc. From April 2005 to May 2006, he was director of Drilcorp Energy Ltd.
Michael Atkinson(3)(4)(5) Vancouver, British Columbia	Director President and Chief Executive Officer	February 13, 2009	Mr. Atkinson has been president and CEO of Canadian Phoenix since January 2010. Currently, he is also a private consultant focusing on structured finance products and mergers and acquisitions within the junior resource sector. Previously, Vice President of Quest Capital Corp. (now Sprott Resource Lending Corp. (TSX:QC/SIL) from June 2005 to June 2008. Prior thereto a private consultant.
Daryl Clark(1)(3)(5) Plantation, Florida	Director	January 26, 2009	Currently Vice President and Chief Financial Officer and Director of South Asia Management Systems and Interim Chief Executive Officer and Chairman of the Board of Directors for Western GeoPower Corporation. From 2002 to 2007, Mr. Clark was Vice President and Chief Financial Officer of Peachtree Settlement Funding LLC. Prior thereto, Mr. Clark was Chief Financial Officer of META Security Group.
Bryce W. Rhodes (1)(2)(4)(5) Carlsbad, California	Director	February 8, 2008	Independent Businessman. Mr. Rhodes served as President, Chief Executive Officer and a Director of Whittier Energy Corporation, a NASDAQ listed exploration and production company, from September 2003 until its sale in March of 2007. Mr. Rhodes was a Vice President of Whittier Energy from its incorporation in 1991 through September 2003. He served on the Board of Directors of PYR Energy Corporation, a public oil and gas exploration company from April, 1999, through its sale in July, 2007.

Name and Municipality of Residence	Office Held	Director Since	Principal Occupation
John Downes Vancouver, BC	Interim Chief Financial Officer	N/A	Mr. Downes has been Interim Chief Financial Officer of Canadian Phoenix since December 20, 2010. Previously, the Manager Financial Reporting for Sprott Resource Lending Corp from February 2010 through March 2011. From September 2002 through December 2009, he was an auditor and consultant with PricewaterhouseCoopers LLP, in Canada and Ireland. Mr. Downes is a member of the Institute of Chartered Accountants of British Columbia.
Sandra Lee Vancouver, BC	Corporate Secretary	N/A	Ms. Lee has been the Corporate Secretary of Canadian Phoenix since December 20, 2010. Ms. Lee is also the Corporate Secretary of Ionic Management Corp., a private management company. Previously from May 2009 to January 2011 and from June 2003 to August 2008, she was the Corporate Secretary of Sprott Resource Lending Corp., a resource lending company whose shares trade on the TSX Exchange and NYSE Amex. Ms. Lee also serves as an officer and/or director of several other public companies.

Notes:
(1) Member of our Audit Committee.
(2) Member of our Reserves Committee.
(3) Member of our Corporate Governance Committee.
(4) Member of our Compensation Committee.
(5) Member of our Special Committee.

Each of the directors of Canadian Phoenix holds office until the next annual meeting of the Canadian Phoenix shareholders or until his or her successor is duly elected or appointed, unless his or her office is vacated earlier in accordance with our articles or by-laws.

As at the date hereof, our directors and officers and their associates and affiliates, as a group, beneficially own, control or direct, directly or indirectly, approximately 198,713 Common Shares representing approximately 0.34% of our outstanding Common Shares. These directors and officers also hold 2,484,800 options at a weighted average exercise price of $1.31 per share; these directors and officers do not hold any of our warrants outstanding. The information as to Common Shares beneficially owned, controlled or directed, directly or indirectly, or over which control or direction is exercised, is based upon information received from such directors and officers.

Corporate Cease Trade Orders, Bankruptcies or Penalties or Sanctions

Harry Knutson was a director of Donner Petroleum Ltd. (“Donner") from August 2005 to November 2006. Due to delays in receiving approval from Donner's auditors with respect to its audited financial statements and related management's discussion and analysis for the year ended February 28, 2006 (the "Donner Annual Financials"), each of the Ontario Securities Commission (the "OSC") and the British Columbia Securities Commission (the "BCSC"), on July 13 and 17, 2006, respectively, issued a cease trade order against Donner for failure to file financial statements. The Donner Annual Financials were subsequently filed and the cease trade orders were revoked by the OSC on August 1, 2006 and by the BCSC on October 17, 2006.

Mr. Knutson was a director of Kasten Chase Applied Research Limited ("Kasten") during the time in which the company was subject to cease trade orders from the Alberta Securities Commission, the BCSC, the Manitoba Securities Commission, the OSC and the Autorite Des Marches Financiers for failure to file its unaudited financial statements for the periods ending June 30, 2006 and September 30, 2006. Mr. Knutson was appointed a director on February 19, 2007 in order to seek restructuring alternatives for Kasten and was not involved with the failure to file the required interim financial statements and corresponding cease trade orders. The cease trade orders were subsequently revoked in March 2008.

Other than the above, none of our directors or executive officers (nor any personal holding company of any of such persons) is, as of the date of this Annual Information Form, or was within ten years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including us), that was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Mr. Knutson is currently an officer and director of a number of private real estate holding companies. In 2010, as a result of the recent economic crisis, creditors of certain of these companies commenced foreclosure proceedings on properties forming a portion of the assets of the companies.

Aside from the above, none of our directors or executive officers (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of our securities to affect materially the control of us is, as of the date of this Annual Information Form, or has been within the ten years before the date of this Annual Information Form, a director or executive officer of any company (including us) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

In 2010, a creditor of Mr. Knutson commenced foreclosure proceedings on a personal property owned by Mr. Knutson.

Aside from the above, none of our directors or executive officers (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of our securities to affect materially the control of us is, has, within the ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become 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 director, executive officer or shareholder.

None of our directors or executive officers (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of our securities to affect materially the control of us, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Our directors and officers may, from time to time, be involved with the business and operations of other oil and natural gas issuers, in which case a conflict may arise. See "*Risk Factors*".

Circumstances may arise where members of our board of directors serve as directors or officers of corporations, which are in competition to our interests. No assurances can be given that opportunities identified by such board members will be provided to us.

The ABCA provides that in the event 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 under the ABCA. To the extent that conflicts of interests arise, such conflicts will be resolved in accordance with the provisions of the ABCA.

AUDIT COMMITTEE INFORMATION

Audit Committee Mandate and Terms of Reference

The Mandate and Terms of Reference of our Audit Committee is attached hereto as Appendix A.

Composition of the Audit Committee

The following are the members of the Audit Committee, as at the Effective Date:

Harry Knutson	Not Independent(1)(2)	Financially Literate(1)
Bryce W. Rhodes	Independent(1)	Financially Literate(1)
Daryl S. Clark	Independent(1)	Financially Literate(1)

Notes:
(1) As defined by MI 52-110.
(2) Mr. Knutson is also the Chairman of the Corporation.

Relevant Education and Experience

All of the members of the Audit Committee have been either directly involved in the preparation of financial statements, filing of quarterly and annual financial statements, dealing with auditors, as management, or a member of the board of directors, or as a member of the audit committee. All members have the ability to read, analyze, and understand the complexities surrounding the preparation and issuance of financial statements.

Mr. Knutson is a Canadian Chartered Director (2006 from The Directors College, McMaster University). He is currently a director of Bonavista Energy Corporation, Pure Energy Services Ltd., Novus Energy Inc., AgriMarine Holdings Inc. and Terrex Energy Inc. Mr. Knutson's experience has afforded him the opportunity to become knowledgeable with respect to financial and accounting matters in the oil and gas industry.

Mr. Rhodes holds a Masters in Business Administration and has 25 years of experience as an investment analyst. He has served as President and Chief Executive Officer of a NASDAQ listed energy company and has served on the board and audit committee of an AMEX listed energy company. Mr. Rhodes was the Vice-President of Whittier Energy for twelve years, over which time he managed all aspects of its acquisition and exploration investments and its day-to-day activities. He has been a member of our audit committee since February 2008. His senior management positions and directorships have provided him the opportunity to become knowledgeable with respect to financial and accounting matters in the oil and gas industry.

Mr. Clark has a long history of corporate finance and management within large and small companies. He is currently the Vice President and Chief Financial Officer and Director of South Asia Management Systems, a California corporation and Interim President, Chief Executive Officer and Chairman of the Board of Directors for Western GeoPower Corporation. Prior to South Asia Management, Mr. Clark was Vice President and Chief Financial Officer of Peachtree Settlement Funding LLC, a specialty factoring firm. Mr. Clark was Chief Financial Officer for META Security Group, a successful start-up consulting firm specializing in Internet and network security. His senior management positions and directorships have provided him the opportunity to become knowledgeable with respect to financial and accounting matters.

Pre-Approval of Policies and Procedures

Our Audit Committee must pre-approve all non-audit services to be provided to us by our external auditors. The Audit Committee may delegate to one or more members the authority to pre-approve non-audit services, provided that the member reports to the Audit Committee at the next scheduled meeting such pre-approval and the member complies with such other procedures as may be established by our Audit Committee from time to time.

External Auditor Service Fees

Audit Fees

The aggregate fees billed by our external auditor with respect to the last two fiscal years for audit services were $32,300 in 2010 and $267,500 in 2009.

Audit and Related Fees

The aggregate fees billed with respect to the last two fiscal years for assurance related services by our external auditor that are reasonably related to the performance of our audit or review of our financial statements that are not reported under "*Audit Fees*" above were $73,900 in 2010 and $74,000 in 2009.

Non-Audit Services

The aggregate fees billed by our external auditors with respect to the last two fiscal years for non-audit related services, such as securities offerings, information circulars, mergers and acquisitions that have not been reported above were $5,800 in 2010 and $nil in 2009.

Tax Fees

The aggregate fees billed by our external auditors with respect to the last two fiscal years for tax services were $12,600 in 2010 and $8,500 in 2009.

Reliance on Exemptions

At no time since the commencement of our most recently completed financial year have we relied on any of the exemptions contained in Sections 2.4, 3.2, 3.4 or 3.5 of MI 52-110, or an exemption from MI 52-110, in whole or in part, granted under Part 8 thereof. In addition, at no time since the commencement of our most recently completed financial year have we relied upon the exemptions in Subsection 3.3(2) or Section 3.6 of MI 52-110. Furthermore, at no time since the commencement of our most recently completed financial year have we relied upon Section 3.8 of MI 52-110.

Audit Committee Oversight

At no time since the commencement of our most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by our Board of Directors.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Note – in this section, all figures in brackets post 25 for 1 share consolidation (November 16, 2009) equivalents.

Other than as set forth below and herein, or as previously disclosed, we are not aware of any material interests, direct or indirect, of our directors and senior officers, or any holder of our Common Shares who beneficially owns, or controls or directs, directly or indirectly, more than 10% of our outstanding Common Shares, or any known associate or affiliate of such persons, in any transaction within the last three fiscal years and in any proposed transaction which has materially affected or is reasonably expected to materially affect us.

Bryce W. Rhodes, personally and through entities controlled by him, purchased 40,000 units on March 17, 2008 at a price of $3.13 per unit. Each unit consisted of one Common Share and one Common Share purchase warrant, with each such warrant entitling the holder to purchase one Common Share on or before March 17, 2010 upon payment of the exercise price of $3.75 per share. In 2010, the exercise price of these warrants was amended to $1.25 to January 11, 2011, and $2.50 from January 12, 2011 to a revised expiry date of March 17, 2011.

Mr. Rhodes, through an entity controlled by him, purchased 24,000 units in September 2008. Each unit consisted of one Common Share and one Common Share purchase warrant, with each such warrant entitling the holder to purchase one Common Share on or before September 19, 2010 upon payment of the exercise price of $5.00 per share. In 2010, the exercise price of these warrants was amended to $1.25 to January 11, 2011, and $2.50 from January 12, 2011 to a revised expiry date of September 19, 2011.

Cloudville Company Ltd., a holder of more than 10% of our Common Shares at the time, subscribed for 8,000,000 Canadian Phoenix units in September 2008. Each such unit consisted of one Common Share and one Common Share purchase warrant, with each such warrant entitling the holder to purchase one Common Share on or before September 19, 2010 upon payment of the exercise price of $5.00 per share. In 2010, the exercise price of these warrants was amended to $1.25 to January 11, 2011, and $2.50 from January 12, 2011 to a revised expiry date of September 19, 2011.

Global Resource Investments Ltd., who held more than 10% of our Common Shares at the time, acted as finder in connection with the Marble Point transaction described in "*General Development Of Our Business – Three Year History*". In consideration of its services as finder, Global Resource Investments Ltd. received 897,909 units issued at a price of $3.75 per unit. Each unit consisted of one Common Share and one Common Share purchase warrant, with each such warrant entitling the holder to purchase one Common Share on or before September 19, 2010 upon payment of the exercise price of $5.00 per share. In 2010, the exercise price of these warrants was amended to $1.25 to January 11, 2011, and $2.50 from January 12, 2011 to a revised expiry date of September 19, 2011. Effective February 4, 2011, pursuant to the Share Purchase Agreement executed on January 24, 2011, Global Resource Investments Limited transferred its control and direction over 11,334,445 Common Shares of the Corporation to Sprott Inc. while retaining ownership over 1,491,107 Common Shares.

In June 2009, directors and officers of the Corporation were issued with 2,640,000 stock appreciation rights, with an exercise price of $0.75. On August 27, 2010 the stock appreciation rights plan was cancelled, resulting in immediate exercise of all outstanding rights at that time. Cash payments were based on the Corporation’s share price on August 27, 2010 and gross amounts received by directors were as follows: Harry Knutson $233,200, Michael Atkinson $137,800, Daryl Clark $137,800, Bryce Rhodes $137,800, and David Tuer, who was then a director of the Corporation, $137,800.

In December 2009, the Corporation obtained a $2.1 million secured credit facility from an arm’s length mezzanine lender. A fee of $20,000 was paid in cash and a bonus of $420,000, representing 20% of the principal of the facility, was paid through the issuance of 976,744 common shares of the Corporation at a price of $0.43 per share. Michael Atkinson acts as a consultant to the mezzanine lender and provided strategic advice for this transaction. Mr. Atkinson received a fee of $10,000 from the lender for structuring and performing due diligence on the credit facility. Mr. Atkinson also participated in funding (as to $95,000) the facility provided by the lender.

On August 27, 2010, concurrent with the cancellation of the stock appreciation rights plan noted above, 2,310,000 options were issued to directors, with an exercise price of $1.28 and a 5 year term to expiry. The options vested immediately. The options were allocated as follows: Harry Knutson 715,000, Michael Atkinson 715,000, Daryl Clark 440,000, and Bryce Rhodes 440,000.

On December 20, 2010, John Downes and Sandra Lee received 75,000 and 40,000 options, respectively. The options have an exercise price of $1.40, a 5 year term to expiry and vested immediately.

MATERIAL CONTRACTS

All contracts entered into during the year ended December 31, 2010, or prior contracts which are still in effect were entered into in the normal course of business. Note that those contracts with officers of the Corporation for management services are considered to be in the normal course of business.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings material to the Corporation to which the Corporation is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Corporation to be contemplated.

There are no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during legal proceedings material to the Corporation to which the Corporation is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Corporation to be contemplated during the financial year ended December 31, 2010.

AUDITORS, REGISTRAR AND TRANSFER AGENT

Our independent auditors are Deloitte & Touche LLP, 3000 Scotia Centre, 700 - 2nd Street SW, Calgary AB T2P 0S7.

The registrar and transfer agent for our Common Shares is Computershare Trust Company of Canada at its principal office in Calgary, Alberta.

INTERESTS OF EXPERTS

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 report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by us during, or related to, our most recently completed financial year other than GLJ Petroleum Consultants Ltd, our independent engineering evaluator, and Deloitte & Touche LLP, our independent auditor.

As at the date hereof, the designated professionals of GLJ Petroleum Consultants Ltd. and Deloitte & Touche LLP as a group, beneficially owned, directly or indirectly, less than one percent of our outstanding securities, including the securities of our associates and affiliates.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

INDUSTRY CONDITIONS

The oil and natural gas industry is subject to extensive controls and regulations governing its operations (including land tenure, exploration, development, production, refining, transportation, and marketing) imposed by legislation enacted by various levels of government and with respect to pricing and taxation of oil and natural gas by agreements among the governments of Canada, Alberta, and British Columbia, all of which should be carefully considered by investors in the oil and gas industry. It is not expected that any of these controls or regulations will affect our operations in a manner materially different than they would affect other oil and gas companies of similar size. All current legislation is a matter of public record and we are unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry.

Pricing and Marketing - Oil and Natural Gas

The producers of oil are entitled to negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. Oil prices are primarily based on worldwide supply and demand. The specific price depends in part on oil quality, prices of competing fuels, distance to the markets, value of refined products, supply/demand balance, and other contractual terms. Oil exporters are also entitled to enter into export contracts with terms not exceeding one year in the case of light crude oil, provided that an order approving such export has been obtained from the National Energy Board of Canada (the "**NEB**"). Any oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export licence from the NEB and the issuance of such licence requires a public hearing and the approval of the Governor in Council.

The price of natural gas is determined by negotiation between buyers and sellers. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts must continue to meet certain other criteria prescribed by the NEB and the Government of Canada. Natural gas (other than propane, butane and ethane) exports for a term of less than two years or for a term of two to 20 years (in quantities of not more than 30,000 m^3/day), must be made pursuant to an NEB order. Any natural gas export to be made pursuant to a contract of longer duration (to a maximum of 25 years) or a larger quantity requires an exporter to obtain an export licence from the NEB and the issuance of such licence requires a public hearing and the approval of the Governor in Council.

The governments of Alberta and British Columbia also regulate the volume of natural gas that may be removed from those provinces for consumption elsewhere based on such factors as reserve availability, transportation arrangements, and market considerations.

Pipeline Capacity

As a result of recent pipeline additions and expansions, an excess of natural gas pipeline capacity exists in Western Canada, which provides for the ability to deliver all current production to natural gas sales markets.

Recent ongoing expansions of existing crude oil pipelines combined with the commissioning of a new, larger diameter oil pipeline leaves the Western Canada Sedimentary Basin with sufficient capacity to deliver product to oil markets in the foreseeable future.

Land Tenure

Crude oil and natural gas located in the western provinces is owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences, and permits for varying terms from two years, and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Provincial Royalties and Incentives

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection, and other matters. The royalty regime is a significant factor in the profitability of crude oil, natural gas liquids, sulphur, and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiation between the mineral freehold owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery, and the type or quality of the petroleum product produced. Other royalties and royalty-like interests are, from time to time, carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests, or net carried interests.

Occasionally the governments of the western Canadian provinces create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays, and tax credits, and are generally introduced when commodity prices are low. The programs are designed to encourage exploration and development activity by improving earnings and cash flow within the industry. Royalty holidays and reductions would reduce the amount of Crown royalties paid by oil and gas producers to the provincial governments and would increase the net income and funds from operations of such producers. However, the trend in recent years has been for provincial governments to eliminate, amend or allow such incentive programs to expire without renewal, and consequently few such incentive programs are currently operative.

Alberta

The Alberta government implemented a new oil and gas royalty framework ("NRF") effective January 2009. The new framework establishes new royalties for conventional oil, natural gas and bitumen that are linked to price and production levels and apply to both new and existing conventional oil and gas activities and oil sands projects. Under the new framework, the formula for conventional oil and natural gas royalties uses a sliding rate formula, dependent on the market price and production volumes. Royalty rates for conventional oil range from 0% to 50%. Natural gas royalty rates range from 5% to 50%.

In November 2008, the Alberta government announced the introduction of a five-year program of transitional royalty rates with the intent of promoting new drilling. Under this new program, companies drilling new natural gas or conventional oil deep wells (between 1,000 and 3,500 metres) will be given a one-time option, on a well by well basis, to adopt either the new transitional royalty rates or those outlined in the NRF. In order to qualify for this program wells must be drilled during the period starting on November 19, 2008 and ending on December 31, 2013. Following this period all new wells drilled will automatically be subject to the NRF.

On April 10, 2008, the Government of Alberta introduced two new royalty programs that will encourage the development of deep oil and gas reserves, and these are: (a) a five-year oil program for exploration wells over 2,000 metres that will provide royalty adjustments to offset higher drilling costs and provide a greater incentive for producers to continue to pursue new, deeper oil plays (these oil wells will qualify for up to a $1 million or 12 months of royalty offsets, whichever comes first); and (b) a five-year natural gas deep drilling program that will replace the existing program in order to encourage continued deep gas exploration for wells deeper than 2,500 metres (the program will create a sliding scale of royalty credit according to depth, of up to $3,750 per metre). These new programs are to be implemented along with the NRF.

On March 3, 2009, the Government of Alberta announced a three-point incentive program to stimulate new and continued economic activity in Alberta which included a drilling royalty credit for new conventional oil and natural gas wells and a new well royalty incentive program. Under the drilling royalty credit program a $200 per metre royalty credit will be available on new conventional oil and natural gas wells drilled between April 1, 2009 and March 31, 2010, subject to certain maximum amounts. The maximum credits available will be determined by the company's production level in 2008 and its drilling activity between April 1, 2009 and March 31, 2010. As much of our activity in 2008 was related to flow-through expenditures, we have not determined the value of the maximum credit we would be entitled to in the period April 1, 2009 and March 31, 2010. The new well incentive program will apply to wells beginning production of conventional oil and natural gas between April 1, 2009 and March 31, 2010 and provides for a maximum 5% royalty rate for the first 12 months of production, up to a maximum of 50,000 barrels or 500 MMcf of natural gas.

On June 25, 2009, the Alberta government announced that the drilling royalty credit and new well incentive programs, which were initially set to expire in March 2010, would be extended by one year to March 2011, in order to provide the certainty needed for oil and gas producers to plan new drilling programs.

On March 11, 2010, the Alberta government announced changes to the government’s energy strategy as a result of the Alberta Competitiveness Review in order to address two concerns with respect to the current oil and gas royalty framework: (i) excessive risk enacted by front-end royalty rates, and (ii) the maximum royalty rate risk-reward balance. Commencing immediately, the maximum 5% front-end rate on new gas and conventional oil wells will become permanent. Commencing January 1, 2011, the maximum royalty rate will be reduced from 50% to 36% on natural gas (both conventional and non-conventional) and to 40% on conventional oil.

Although these changes have created optimism in the oil and gas sector, the effects of such changes remain undeterminable as the implementation of royalty adjustments is subject to certain risks and uncertainties, including changes to existing legislation and regulation.

Environmental Regulation

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties.

Environmental legislation in Alberta is governed by the *Environmental Protection and Enhancement Act* (Alberta). The operations of the Corporation are, and will continue to be, affected in varying degrees by laws and regulation regarding environmental protection. While it is impossible to predict the full potential impact of these laws and regulations on the operations of the Corporation, it is not expected that the Corporation's competitive position within the oil and gas industry will be adversely affected.

Climate Change

Canada is signatory to the United Nations Framework Convention on Climate Change. The Canadian federal government previously released the *Regulatory Framework for Air Emissions*, updated March 10, 2008 by *Turning the Corner: Regulatory Framework for Industrial Greenhouse Gas* Emissions (collectively the "Regulatory Framework"), for regulating greenhouse gas ("GHG") emissions by proposing mandatory emissions intensity reduction obligations on a sector by sector basis. Legislation to implement the Regulatory Framework had been expected to be put in place in 2010, but the federal government has delayed the release of any such legislation, and potential federal requirements in respect of GHG emissions are unclear. On January 30, 2010, the Canadian federal government announced its new target to reduce overall Canadian GHG emissions by 17% below 2005 levels by 2020, from the previous target of 20% from 2006 levels by 2020, to align itself with US policy. In 2009, the Canadian federal government announced its commitment to work with the provincial governments to implement a North American-wide cap and trade system for GHG emissions, in cooperation with the United States. Canada would have its own cap-and-trade market for Canadian-specific industrial sectors that could be integrated into a North American market for carbon permits.

The Canadian federal government currently proposes to enter into equivalency agreements with provinces to establish a consistent regulatory regime for GHGs, but the success of any such plan is uncertain, possibly leaving overlapping levels of regulation. It is uncertain whether either federal GHG regulations or an integrated North American cap and trade system will or will not be implemented, or what obligations might be imposed under any such system.

As the details of the implementation of any federal legislation for GHGs or industrial pollutants have not been announced, the effect on the Corporation's operations and financial position cannot be determined at this time.

Alberta

Alberta regulates GHS emissions under the *Climate Change and Emissions Management Act*, the *Specified Gas Reporting Regulation* (the "SGRR"), which imposes GHG emissions reporting requirements, and the *Specified Gas Emitters Regulation* (the "SGER") which imposes GHG emissions limits. Under the SGRR, the Corporation must report if it has GHG emissions of 100,000 tonnes or more from a facility in any year. Under the SGER, GHG emission limits apply once a facility has direct GHG emissions in a year of 100,000 tonnes or more. Under the SGER, any facility coming into commercial production after 2000 will be considered a new facility and will be required to reduce its emission intensity (e.g. tonnes of GHGs emitted per unit of production) by 2% per year beginning in its fourth year of commercial operation, up to an aggregate 12% reduction from the emissions intensity level of its third year of commercial operation. The SGER permits the Corporation to meet the applicable emission limits by making emissions intensity improvements at facilities, offsetting GHG emissions by purchasing offset credits or emission performance credits in the open market, or acquiring 'fund credits' by making payments of $15/tonne to the Alberta Climate Change and Management Fund. The Alberta government recently announced its intention to raise the price of fund credits and increase the required reductions in GHG emissions intensity to unspecified levels. In addition, Albert facilities must currently report emissions of industrial air pollutants and comply with obligations imposed in permits and under environmental regulations.

RISK FACTORS

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in our other public filings before making an investment decision.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. Our long-term commercial success depends on our ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves we may have at any particular time, and the production therefrom will decline over time as such existing reserves are exploited. A future increase in our reserves will depend not only on our ability to explore and develop any properties we may have from time to time, but also on our ability to select and acquire suitable producing properties or prospects. No assurance can be given that we will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, our management may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by us.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances 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 diligent 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.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and 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 particular, we may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to us. In accordance with industry practice, we are not fully insured against all of these risks, nor are all such risks insurable. Although we maintain liability insurance in an amount that we consider consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event we could incur significant costs. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on our business, financial condition, results of operations and prospects.

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by us is and will continue to be affected by numerous factors beyond our control. Our ability to market our oil and natural gas may depend upon our ability to acquire space on pipelines that deliver natural gas to commercial markets. We may also be affected by deliverability uncertainties related to the proximity of our reserves to pipelines and processing and storage facilities and operational problems affecting such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

The prices of oil and natural gas prices may be volatile and subject to fluctuation. Any material decline in prices could result in a reduction of our net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in reduced production of oil or gas and a reduction in the volumes of our reserves. We might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in our expected net production revenue and a reduction in our oil and gas acquisition, development and exploration activities. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond our control. These factors include economic conditions both globally and in the United States and

Canada, the actions of OPEC, governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, risks of supply disruption, the price of foreign imports and the availability of alternative fuel sources. Any substantial and extended decline in the price of oil and gas would have an adverse effect on our carrying value of our reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on our business, financial condition, results of operations and prospects.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing credit and liquidity concerns. Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, bank borrowings available to us may, in part, be determined by our borrowing base. A sustained material decline in prices from historical average prices could reduce our borrowing base, therefore reducing the bank credit available to us, which could require that a portion, or all, of our bank debt be repaid.

Failure to Acquire or Dispose of Oil and Gas Assets, or to Realize the Benefits from such Transactions

As at the date of this AIF, the Corporation is actively seeking to dispose of its existing oil and gas assets and to re-invest in new assets or revenue streams.

There is a risk that the Corporation may not find suitable acquisition targets, or may not be able to pursue a desired target. In addition, there is a risk that should a target be acquired, the perceived benefits of the acquisition may not be realized. To achieve the benefits of acquisitions depends, in part, on acquiring reserves or revenue streams, which themselves are subject to other risks described herein, successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as our ability to realize the anticipated growth opportunities, and synergies from combining the acquired businesses and operations with ours. 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.

In disposing existing assets, there is a risk that no willing purchasers may be found or that if a disposal agreement is completed, that the price received may be less than an asset's carrying value, resulting in a loss on disposal. Further, should an asset not be disposed, the Corporation may incur operating or reclamation losses or expenditures without equal or greater offsetting income.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information contained in our NI 51-101 reporting (filed April 27, 2011 on SEDAR) are estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. Our actual production, revenues, taxes and development and operating expenditures with respect to our reserves will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas were estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, our independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from our oil and gas reserves will vary from the estimates contained in the reserve evaluations, and such variations could be material. The reserve evaluations are based in part on the assumed success of activities we or our subsidiaries intend to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the reserve evaluations will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluations. The reserve evaluations are effective as of a specific date and have not been updated to reflect any changes in these reserves since that date.

Operational Dependence

Other companies operate some of the assets in which we have an interest. As a result, we will have limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect our financial performance. Our return on assets operated by others therefore depends upon a number of factors that may be outside of our control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Project Risks

We manage a variety of small and large projects in the conduct of our business. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. Our ability to execute projects and market oil and natural gas depends upon numerous factors beyond our 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, we 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 we produce.

Competition

The petroleum industry is competitive in all its phases. We compete with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Our competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than ours. Our ability to increase our reserves in the future will depend not only on our ability to explore and develop our present properties, but also on our ability to select and acquire other 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 and storage. Competition may also be presented by alternate fuel sources.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. See "*Industry Conditions*". Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase our costs, any of which may have a material adverse effect on our business, financial condition, results of operations and prospects. In order to conduct oil and gas operations, we will require licenses from various governmental authorities. There can be no assurance that we will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

Environmental

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 federal, provincial and local 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. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. 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 discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such discharge. Although we believe that we are in material compliance with current applicable environmental regulations 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 have a material adverse effect on our business, financial condition, results of operations and prospects. There has been much public debate with respect to Canada's ability to meet these targets and the Government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. Implementation of strategies for reducing greenhouse gases whether to meet the limits required by the Kyoto Protocol or as otherwise determined, could have a material impact on the nature of oil and natural gas operations. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on us and our operations and financial condition. See "*Industry Conditions – Environmental Regulation*".

Variations in Foreign Exchange Rates and Interest Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time. In recent years, the Canadian dollar has increased materially in value against the United States dollar although the Canadian dollar has recently decreased from such levels. Material increases in the value of the Canadian dollar negatively impact commodity prices valued in Canadian dollars thereby reducing our production revenues. Future Canadian/United States exchange rates could accordingly impact the future value of our reserves as determined by independent evaluators.

To the extent that we engage in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which we may contract.

Capital and Debt Requirements

As of the date of this AIF, we have a cash position that is sufficient to meet existing operational requirements and to provide funding for reinvestment in new production assets or revenue streams. However, it is possible that additional funds could be required for investing, or to fund future operations once existing cash has been redeployed. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to us. The inability to access sufficient capital for our operations could have a material adverse effect on our future financial condition, results of operations and strategy.

Availability of Drilling Equipment and 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 us and may delay exploration and development activities.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat our claim which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Insurance

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

Geo-Political Risks

The marketability and price of oil and natural gas that may be acquired or discovered by us is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or conversely peaceful developments, arising in the Middle-East, and other areas of the world, have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and therefore result in a reduction of our net production revenue.

Dilution

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

Management of Growth

We may be subject to growth-related risks including capacity constraints and pressure on our internal systems and controls. Our ability to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expand, train and manage our employee base. Our inability to deal with this growth may have a material adverse effect on our business, financial condition, results of operations and prospects.

Expiration of Licences and Leases

Our properties are held in the form of licences and leases and working interests in licences and leases. If we 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 our licences or leases or the working interests relating to a licence or lease may have a material adverse effect on our business, financial condition, results of operations and prospects.

Dividends

We have not paid any dividends on our outstanding shares. Payment of dividends in the future will be dependent on, among other things, funds from operations, operating results and financial condition, the need for funds to finance ongoing operations and other considerations, as our board of directors considers relevant.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. We are not aware that any claims have been made in respect of our properties or assets; however, if a claim arose and was successful such claim may have a material adverse effect on our business, financial condition, results of operations and prospects.

Seasonality

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity,

Credit and Concentration Risks

As at the date of this AIF, the Corporation has over $79.5 million in cash and cash equivalents, in accounts held with three large Canadian financial institutions. While the funds are held among several financial institutions to manage the risk that all funds are held with one institution which becomes illiquid (concentration risk), a risk remains that systemic defaults or liquidity freezes in the Canadian banking institution could restrict our ability to access our funds. More severely is the risk defaults by a financial institution could result in a permanent loss of funds.

We may also be exposed to third party credit risk through our contractual arrangements with our current or future joint venture partners, marketers of our petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to us, such failures may have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in our ongoing capital program, potentially delaying the program and the results of such program until we find a suitable alternative partner.

Conflicts of Interest

Certain of our directors are also directors or officers of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the ABCA. See "*Directors and Officers – Conflicts of Interest*".

Reliance on Key Personnel

Our success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on our business, financial condition, results of operations and prospects. We do not have any key person insurance in effect. The contributions of the existing management team to the immediate and near term operations are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that we will be able to continue to attract and retain all personnel necessary for the development and operation of our business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management.

ADDITIONAL INFORMATION

Additional information relating to us can be found on SEDAR at www.sedar.com. Other information, including directors' and officers' remuneration and indebtedness, principal holders of our securities and our securities authorized for issuance under equity compensation plans was contained in our proxy materials for our annual shareholders meeting held on March 29, 2011. Additional financial information is contained in our financial statements and the related management's discussion and analysis for the year ended December 31, 2010.

For additional copies of this Annual Information Form and the materials listed in the preceding paragraphs, please contact:

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APPENDIX A

AUDIT COMMITTEE
MANDATE AND TERMS OF REFERENCE

I. Mandate

The primary function of the audit committee (the "Committee") is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Corporation to regulatory authorities and shareholders, the Corporation's systems of internal controls regarding finance and accounting, and the Corporation's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation's financial reporting and internal control system and review the Corporation's financial statements.

- Review and appraise the performance of the Corporation's external auditors.

- Provide an open avenue of communication among the Corporation's auditors, financial and senior management and the Board of Directors.

II. Composition

The Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be independent directors, pursuant to the policies of the TSX Venture Exchange.

At least one member of the Committee shall have accounting or related financial management expertise. Al members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Corporation's Charter, the definition of "financial literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Corporation's financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

III. Meetings

The Committee shall meet at least twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with management and the external auditors in separate sessions.

The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to the Audit Committee members with copies to the Board of Directors, the Chief Financial Officer or such other officer acting in that capacity, and the external auditor.

IV. Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

Documents/Reports Review

1. Review and update this Charter annually.

2. Review the Corporation's financial statements, MD&A and any annual and interim earnings, press releases before the Corporation publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

External Auditors

1. Require the external auditors to report directly to the Committee.

2. Review annually the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Corporation.

3. Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Corporation and confirming their independence from the Corporation.

4. Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.

5. Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.

6. Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval and the compensation of the external auditors.

7. Review with management and the external auditors the terms of the external auditors' engagement letter.

8. At each meeting, may consult with external auditors, without the presence of management, about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements.

9. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

10. Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.

11. Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Corporation's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:

    i. the aggregate amount of all such non-audit services provide to the Corporation constitutes not more than five percent (5%) of the total amount of revenues paid by the Corporation to its external auditors during the fiscal year in which the non-audit services were provided;

    ii. such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and

    iii. such services are promptly brought to the attention of the Committee by the Corporation 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 of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegate by the Committee to one or more independent members of the Committee.

Financial Reporting Process

1. In consultation with the external auditors, review with management the integrity of the Corporation's financial reporting process, both internal and external.

2. Consider the external auditor's judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.

3. Consider and approve, if appropriate, changes to the Corporation's auditing and accounting principles and practices as suggested by the external auditors and management.

4. Review significant judgments made by management n preparation of the financial statements and the view of the external auditors as to the appropriateness of such judgments.

5. Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of the work or access to required information.

6. Review any significant disagreement among management and the external auditors regarding financial reporting.

7. Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.

8. Review the certification process.

9. Establish procedures for:

    i. the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

    ii. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Other

Review disclosure of any related-party transactions.

V. Authority

The Committee may:

a) engage independent outside counsel and other advisors as it determines necessary to carry out its duties;

b) set and pay the compensation for any advisors employed by the Committee; and

c) communicate directly with the internal and external auditors.

The Committee shall have unrestricted access to the Corporation's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.